

Asia-Pacific Center for Security Studies
Far Eastern Federal University

**FROM APEC 2011 TO APEC 2012:
American and Russian Perspectives
on Asia-Pacific Security
and Cooperation**

Editors

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This volume examines three broad and intertwined themes of significant importance for the Asia-Pacific region. Firstly, the book discusses the complex mosaic of current and emerging regional security issues and relates them to the activities of the Asia-Pacific Economic Cooperation (APEC) forum and other regional organizations. Secondly, the volume contributors offer their diverse perspectives on the evolving roles of influential regional actors, such as China, Japan, Russia, and the United States. Thirdly, the book examines the gaps and opportunities in US-Russia relations in the context of their increased appreciation of the Asia-Pacific region.

The team of book authors represents prominent regional security scholarship affiliated with the Asia-Pacific Center for Security Studies (APCSS), the Far Eastern Federal University, and the Russian Academy of Sciences. The opinions expressed in the book are those of the authors and do not necessarily reflect the official policies or positions of their organizations and governments.

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FOREWORD

Dear Readers,

This volume examines three broad and intertwined themes of significant importance for the Asia-Pacific region. Firstly, the volume discusses the complex mosaic of current and emerging regional security issues and relates them to the activities of the Asia-Pacific Economic Cooperation (APEC) forum and other regional organizations. The 2011 summit in Honolulu demonstrated the continuing relevance of the APEC but also revealed the organization's potential in further enhancing regional development and integration. The discussion in the volume of various regional security trends indicates several new opportunities for APEC's evolution as the organization prepares for its 2012 summit in Vladivostok.

Secondly, the book contributors offer their personal perspectives on the evolving roles of influential regional actors, such as China, Japan, Russia, and the United States. Each of these important players has its own unique national perspective on the Asia-Pacific region shaped by respective historical, cultural, economic and political involvement in regional affairs. All of them, however, rely on effective multilateral institutions such as APEC.

This leads to the third theme of the volume: U.S. – Russia relations in the Asia-Pacific. America's economic prosperity is unthinkable today without close partnership with the Asia-Pacific region. Russia, too, and especially its eastern regions, increasingly depends on the economic opportunities offered by the dynamic Asia-Pacific region. This commonality of America's and Russia's regional perspectives is a good basis for bilateral cooperation on regional issues. The transition from the Honolulu APEC to Vladivostok APEC offers an opportunity to explore new areas of U.S. – Russia bilateral ties across the Pacific.

This book is a good example of productive bilateral partnership as it brings together American experts working at the Asia-Pacific Center for Security Studies in Honolulu and Russian experts working in Vladivostok and Moscow. It is worth mentioning that seven out of eight Russian authors are graduates of the APCSS.

Finally, the volume is another step in successful collaboration between APCSS and the Far Eastern Federal University in Vladivostok that goes back to 2003. While the two institutions continue to evolve and innovate, their mutual desire to work together and learn from each other remains strong and consistent.

Enjoy your navigation through the intricate topics, diverse perspectives and thoughtful insights offered by an outstanding team of authors.

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INTRODUCTION

Rouben Azizian and Artyom Lukin

This book is a result of diplomatic opportunity, institutional partnership and long-standing personal, scholarly relationships. In November 2011, immediately after the Asia-Pacific Economic Cooperation (APEC) summit in Honolulu, a team of Russian academics from the Far Eastern Federal University and Maritime State University of Vladivostok were hosted by the Asia-Pacific Center for Security Studies in Honolulu, Hawaii, for a roundtable titled, “From APEC 2011 to APEC 2012: Challenges and Opportunities for Regional Security and Energy Cooperation.” It was a one-day event and could only accommodate a limited number of presentations and papers. Since the next APEC summit was going to be held the following year in Vladivostok, the APCSS and FEFU coordinators of the event decided to take advantage of the Honolulu-Vladivostok APEC-related transition to continue and broaden the dialogue between the American and Russian regional experts.

The other momentum to this publication was provided by the previous successful experience between APCSS and FEFU (then FENU) of a joint publication titled, “Russia, America, and Security in the Asia-Pacific,” which came out in 2006. This volume is an attempt to update the previous publication, continue the dialogue between the old authors, and also bring in new contributors and perspectives. The other difference is the addition of the theme of *cooperation* to the title. It was added for a number of reasons.

First, a book discussing the role of APEC has to also examine the opportunities for advancing regional cooperation.

Second, all the book authors consider cooperation as the preferred option at a time of new security challenges in the region.

Third, the editors of the volume strongly believe that cooperation is even in higher demand for the US-Russia relationship in the Asia-Pacific region today than it was in 2006.

The book is thematically divided into two parts. Part One includes eight chapters and reviews regional security trends and emerging issues. Part Two has ten chapters and discusses major actors, evolving principles, and regional architecture.

The opinions expressed in the book are those of the authors and do not necessarily reflect the official policies or positions of their organizations and governments.

Part One begins with Lori Forman's observations on "Economic Security in the APEC Region." For those concerned with economic security, the past few years have been riddled with unknowns as individuals, businesses, and governments were caught short when the global economy tumbled from its record-breaking highs in 2008. While the United States was at the epicenter of the collapse, some APEC economies were spared the worst effects, yet no one was completely insulated from the consequences of this global economic readjustment. The author argues that a strong national economy is and will continue to be a necessary component of national security. Without a strong economy, a nation's ability to project power – hard, soft, smart, or any other variety of power – is constrained. Within the APEC region, several national security strategies or national security policies specifically underscore the relationship among the economy, security, and power. While not all of the national security strategies of APEC nations openly state this connection between economic and overall power, it is hard to imagine an APEC leader who would not agree with the role the economy plays in defining national power.

In his chapter on "Climate Change and Environmental Security in the Asia-Pacific Region: Role for APEC?" Scott Hauger seems to agree with Lori Forman's premise and takes it one step further by emphasizing the importance of establishing linkages between security and climate change as a case study in complexity, illustrating the need for both interdisciplinary and international collaboration to understand and address an interactive set of complex problems. The chapter is concerned with the need and scope for

security cooperation in the Asia-Pacific region to address the problems posed by climate change. It suggests that a timely opportunity exists for APEC to play an important, leadership role in meeting that need because the climate change threatens economic security by narrowing the window for achieving sustainable development.

Energy issues are understandably at the forefront of any discussion of climate change. They are also a key element of Russia's and Northeast Asia's security. Thus the relevance of Sergey Sevastianov's chapter on "Russia and Northeast Asia Energy Security." The author argues that energy security, a stable, cost-effective, and sustainable supply of energy, is a precondition for the continued economic growth of Northeast Asia which exceeds dramatically other world regions. On the other hand, the lack of energy resources will constrain the economic and social development of Northeast Asia. In addition, energy insecurity can lead to vicious competition for resources among energy-importing countries, and may further increase political tension and hold back economic cooperation in the region.

While oil and gas continue to dominate the energy discourse in the region, the nuclear-energy factor has drawn a lot of attention recently following the disaster in Japan. Despite the rising doubts on the use of nuclear energy, William Wieninger remains optimistic about its future in his chapter on "Splitting the Atom and Enhanced Cooperation in Asia: Considering Nuclear Energy in the APEC Region". He argues that, with Asia's projected economic growth over the coming years, there will be a dramatic increase in demand for electrical energy. Given concerns about carbon emissions as well as the high level of air pollution already extant, nuclear energy will likely play a significant part in the greater demand for power. The risks associated with nuclear power are real, and there will be future accidents at nuclear facilities. However, the negative externalities of burning ever more hydrocarbons to fuel the economy are likely even more dangerous than nuclear risks. This means that, rather than eschew nuclear energy, we need to carefully

consider how best to implement nuclear energy. Asia-Pacific can and should take advantage of the advances in nuclear physics and engineering to make nuclear energy, with its zero-pollution emissions, a part of its energy mix. The 2012 APEC Summit provides an excellent forum within which to do so, while enhancing international cooperation more broadly.

The chapter on “Regional Cooperation on Disaster Management and Health Security: APEC and Comprehensive Regional Strategy,” by Jessica Ear and James Campbell, is a logical follow-on to a discussion of risks associated with nuclear energy. The authors are of a strong opinion that, to mitigate economic and human impacts of natural disasters, nations must commit greater resources to capacity development and enlist the cooperation of the whole of society. Multilateral and regional organizations such as the Asia-Pacific Economic Cooperation (APEC), Association of South East Asian Nations (ASEAN), and Pacific Islands Forum (PIF) have significant roles to play in advancing disaster cooperation in the Asia-Pacific region. However, the challenge lies in integrating policy frameworks and mechanisms that have been developed independently by these organizations into a comprehensive regional strategy, to enhance interoperability in disaster-risk reduction, mitigation, and response. It is time for APEC to move beyond trade liberalization and rethink its agenda in terms of nontraditional security by addressing challenges in disaster management and health security, including related aspects of food security and climate change, all of which pose long-term, negative impacts for regional economic development.

Sergey Smirnov’s essay on “Maritime Security and Arctic Issues: Challenges, Threats, and the Human Factor” reviews the existing and potential challenges to maritime security and its naval implications, as well as the security situation in the Arctic region. The start of the full-scale exploration of Arctic resources has become extremely fashionable these days. The claims that global warming is leading to rapid melting of the Arctic ice, thus paving the way

for oil and gas extraction and commercial ship traffic in the Arctic Ocean, are justified. However, this does not mean that Arctic exploration will start tomorrow. The reality, as usual, is much more complex and contains a number of caveats that can impede our movement toward the Arctic treasures. The technologies of drilling and extracting oil and gas on the seabed in severe geographic conditions have improved to some degree, but not radically. The remoteness of potential Arctic Ocean oil and gas extraction areas makes the construction, operation, logistics, and maintenance of oil rigs challenging and dramatically raises their costs.

Things are, however, changing on the Arctic horizon, according to Justin Nankivell and Kerry Lynn Nankivell (“Shifting Ice, Shifting Policies: The Evolution of Ocean Governance in the Arctic”). Many scientists now believe that Arctic ice is caught in a “death spiral,” and forecast that the Arctic might be temporarily ice-free in late summer as early as 2020 and altogether ice-free for most of the year by mid-century. Amid a growing appreciation of the Arctic’s new climate is the emerging realization of the Arctic’s true mineral and energy wealth. Estimates suggest that energy resources in the Arctic represent perhaps 25 percent of the world’s undiscovered oil and gas reserves. As a result, numerous international companies are investing heavily in projects meant to harvest petroleum from the seabed, and Arctic states are moving quickly to map their continental shelves in preparation to file submissions under the UN Convention on the Law of the Sea (UNCLOS). All of this activity does not indicate there is a scramble unfolding for Arctic territory and its resources. Rather, this increased interaction is only evidence of an effort by all Arctic states to advance their long-held interests in the region. The authors conclude that the future of ocean governance in the Arctic will neither be completely chaotic nor purely ordered; neither completely predictable nor a raw struggle for power. Rather, the shifting nature of the Arctic’s geology is giving rise not only to complementary adjustments in states’ Arctic policies, but to uncertainty about how to interpret international law in

the region. These shifts are unlikely to be violent, but will likely unfold as manageable processes that reflect both political and legal restraints. APEC can contribute to this process, particularly by giving voice to private-sector perspectives on APEC's core issues, including energy security and the resilience, safety and security of maritime transit, and supply-chain security.

Miemie Byrd's essay on "Education, Economic Growth, and Social Stability: Why the Three Are Inseparable" is a natural wrap-up of the discussion in Part One. While more and better education are increasingly recognized as prerequisites for successful economic and social development around the world, many governments' responses to the recent global economic crisis seem to have taken the countries in the opposite direction. The extreme fiscal austerity implemented by governments inevitably cuts education budgets. Such austere measures have undermined the countries' abilities to create increased levels of knowledge and skill to find alternative solutions in response to the crisis. Despite the apparent relationships between education and national growth, most advocates in the education sector rarely discuss broader national economic development and growth in relation to education policies and funding. Those who are advocates of education must operate in a wider circle than a narrowly defined education sector to be effective. Likewise, the economic development and growth policies must consider education policies and funding. These two policies are inextricably linked due to the reliance on human resources and human capital for economic growth and national development. APEC has been addressing the quality of higher education since 1992 through a subcommittee, the Education Network (EDNET), within the larger Human Resource Development Working Group (APEC HRD). This effort has been primarily to facilitate the portability and compatibility of higher-education diplomas among the APEC member economies. However, APEC should, as the author suggests, go beyond higher education, since existing studies indicate that in-

vestment in early childhood education yields higher labor-market outcomes later.

Part Two of the volume begins with a chapter on “United States and the Asia-Pacific: Balancing Rhetoric and Action,” authored by Rouben Azizian, who analyses the rhetoric and content of the Obama administration’s “pivot” toward Asia. The debate on Obama’s regional initiatives tends to lean to one or the other extreme, such as “there is nothing new in it” or “it is all about China.” The author believes the reality is more balanced than the rhetoric. In fact, much of the “pivot” to the Asia-Pacific is a continuation and expansion of policies already undertaken by previous administrations, as well as earlier in President Barack Obama’s term. At the same time, the author points out that the current shift to Asia does have some new features. For one thing, Washington has emphasized America’s military commitment to the region, announcing new deployments of troops to Australia and Singapore, as well as making it clear that future defense spending reductions will not come at the expense of the Asia-Pacific. Another notable feature is a broader interpretation of the Asia-Pacific that includes the Indian Ocean and many of its coastal states.

Viacheslav Amirov assesses relations between Moscow and Tokyo in his chapter, “Russia, Japan, and the Asia-Pacific.” He observes that, despite some predictions that Japan could play a counter-balancing role in Russia’s relations with China, this has not yet happened, as Russia-Japan political relations remain largely unchanged and static. Japan has also been lagging behind China and South Korea in expanding economic ties with Russia. Nevertheless, the bilateral trade has been growing, with energy as the most promising area for cooperation between the two countries. Although the territorial issue is still a factor that can poison the atmosphere at any time, the experience of Russia-Japan relations during the past twenty years has shown that, when material mutual interests exist, no political problem is an obstacle to economic cooperation. According to the author, one more reason for Russia to

have a broad dialogue with Japan is that Tokyo is a key player in various multilateral arrangements in the Asia-Pacific.

In his essay “Japan and the Asia-Pacific,” Jeffrey W. Hornung examines how Japan is responding to a complex set of economic and security challenges. Although Japan benefits from regional growth, its economy is struggling against more dynamic Asian neighbors. Among domestic challenges, particularly problematic are Japan’s high yen, increasing resource scarcity, demographic decline, and government debt. Japan is also facing external security challenges. In this regard, Tokyo’s major concerns are the growth and modernization of China’s military, North Korea’s nuclear weapons and missile programs, and increasing Russian military activities in the Far East. Japan is pursuing a mix of policies to minimize these challenges. Economically, this includes increasing taxes, concluding free-trade agreements, and engaging multilateral trade forums. In the security realm, Tokyo is prioritizing the development of dynamic defense forces, continued reliance on the US-Japan alliance, as well as the establishment of new security relationships, especially with Australia and India.

Alexander Vorontsov’s chapter, “Korean Peninsula: Old Problems and New Challenges,” evaluates the prospects for progress in resolving the peninsula’s long-standing strategic stalemate. In 2010, the confrontation reached a dangerous point, when the two Koreas were on the verge of a full-blown war. That crisis was partly triggered by the tough stance of the US-ROK alliance exerting unprecedented pressure on both North Korea and China. Fortunately, by 2012 the situation got somewhat better and remains more or less stable. Kim Jong Un’s smooth accession to national leadership has confirmed the DPRK’s internal stability and foreign-policy continuity. The author argues that the recent developments in North Korea open up new opportunities, and now is a good time to turn the page on past conflicts and start cultivating contacts with the young North Korean leader. In particular, he believes that quite unexpected scenarios may materialize in the game played out

between Washington and Pyongyang, possibly even leading to rapprochement similar to that accomplished with Burma.

The essay “China in the Asia-Pacific in 2040: Alternative Futures,” written by Mohan Malik, analyzes the geopolitical impact of China’s rise and lays out four alternative strategic futures for China and the Asia-Pacific region. China has acquired the power to force others to get out of its backyard, even as Beijing seeks to establish and expand the Chinese footprint in others’ backyards. The crucial question, of course, is how China will dispose of its newfound strength and how others will respond to it. Under the first scenario, “Weak Unipolarity,” the United States remains the predominant power, while its relationship with China will be characterized by security competition and economic cooperation. The second scenario is a “Concert of Powers in a Multipolar Asia,” wherein China, the United States, Japan, India, and Russia join forces in managing economic and security affairs of the region. This alternative envisages economic interdependence and regional integration underpinned by multilateral institutions. In the third scenario, “Bipolar Asia: A New Cold War?” China strives for mastery of Asia as a precursor to rivaling the United States as a global power. Finally, the fourth scenario, a “China-Led Asian Co-Prosperty Sphere: Back to the Future?” envisages situations that might lead to Asia accommodating itself to an exponential growth in China’s power and accepting Chinese supremacy in the region. The author believes the most probable scenario in the near future is that of a combination of weak unipolarity, both at global and regional levels, and bipolarity in Asia. However, in his view, the most desirable future in the long term would be a multipolar Asia with inclusive multilateral institutions.

In his chapter, “Russia and China: New Trends in Bilateral Relations and Political Cooperation,” Victor Larin analyzes the priorities and directions of one of the key bilateral relationships in the Asia-Pacific. There are two pillars in the current Russia-China bilateral interactions. The first is their relationship in the sphere of

“high politics,” between heads of states and top-level officials. The second is made up of cross-border and transnational relations, mostly of an economic nature. For the past two decades, the intensity of collaboration at the level of high politics has continuously grown, with the leaders of the two countries displaying mutual confidence. Russia and China have repeatedly demonstrated that they have similar approaches to key issues of contemporary world order and major international problems. The struggle against perceived American hegemony is the most powerful driver bringing Moscow and Beijing together. Furthermore, in recent years, there seems to be a growing conviction of Russian and Chinese leaders that relations between the two states could become the cornerstone of a new security system in East Asia and the Pacific region. By contrast, general economic interaction looks bleak, perhaps with the exception of the energy sector.

The success of Russia’s engagement with the Asia-Pacific hinges crucially on whether its Far East can be transformed from the country’s backyard into its Pacific front gate. This is the premise of Artyom Lukin and Tamara Troyakova’s chapter on “The Russian Far East and the Asia-Pacific: State-Managed Integration.” In recent years, Moscow has been stepping up efforts to boost the development of its Far Eastern territories. The APEC summit in Vladivostok is another step in that direction, aimed at giving an extra impetus to the Far East and showcasing it to the international community. As the authors argue, geopolitics has always been the central government’s underlying concern when dealing with the Far East. Due to the region’s remoteness from the country’s core, sparse population, poor infrastructure, as well as the presence of big and ambitious powers in its neighborhood, Moscow has always to be careful about how the Far East’s external relations are conducted. The Russian government is now pursuing a state-controlled integration of the Far East into the Asia-Pacific economy. The success of this *dirigiste* strategy depends on the continued availability of

considerable financial resources in Russia's budget, as well as on effective governance.

In his chapter, "The Responsibility to Protect and the Asia-Pacific," Vyacheslav Gavrillov takes on one of the major evolving principles of international order, examining its relevance for the region in question. He defines the Responsibility-to-Protect (RtoP) concept as a multidisciplinary "road map," based on existing legal and political doctrines and rules, that establishes actions the states and the international community should jointly undertake in order to protect populations from genocide, war crimes, ethnic cleansing, and other crimes against humanity. So far, most of the Asia-Pacific states have chosen to bypass the debate on the RtoP, claiming that any discussion of the concept could undermine their national sovereignty. However, Gavrillov suggests that future international debates about the RtoP should include the Asia-Pacific countries due to their increasing influence on the evolution and regulation of international relations as well as their quest for a solid, regional system aimed at preventing and/or minimizing the consequences of international crimes. There are already signs the Asia-Pacific nations are beginning to realize the necessity to adapt the theoretical provisions of the RtoP to the realities of the region.

Alexander L. Vuving's essay "What Regional Order for the Asia-Pacific? China's Rise, Primacy Competition, and Inclusive Leadership" poses a question on what kind of order will be most effective in maintaining peace and stability in a strategic landscape featuring the rise of China and other Asian powers. Notwithstanding its likely stagnation from the 2030s onward, China will have both the will and the wherewithal to seriously challenge the preeminence of the United States in Asia. A regional order predicated on the premise of US primacy will be ill-equipped to manage this contest. The most viable option for peace and stability in Asia, the author argues, is a form of shared regional leadership that is inclusive not only of major powers but also of other key players in the region. ASEAN, for example, constitutes a sizable coalition

of small and middle powers that could play the role of a benign center of regional architecture building. That kind of inclusive leadership has already found some prototypes in the Asia-Pacific multilateral forums, such as the Asia-Pacific Economic Cooperation, the ASEAN Regional Forum, the East Asia Summit, and the ASEAN Defense Ministers' Meeting Plus.

Unlike Alexander Vuving, who places Southeast Asia at the heart of a prospective regional architecture, Artyom Lukin sees Northeast Asia as the geopolitical core of the Asia-Pacific. In the chapter "The Emerging Institutional Order in the Asia-Pacific: Opportunities for Russia and Russia-United States Relations" he maintains that Northeast Asia seems to be evolving into an area where the foundations of Asia-Pacific's new institutional order are being laid. A likely future scenario can be drawn up in which the six party-based "Northeast Asian concert" would act as the primary core for the Asia-Pacific security and political cooperation, while the prospective China-Japan-Republic of Korea free-trade agreement (FTA) would function as a center for the region-wide economic integration. In this emerging institutional order, APEC could stay relevant as standing for a more open and globalized Asia-Pacific versus more closed and purely territorial versions of regionalism. Being non-Asian powers culturally and historically, both Russia and the United States are naturally interested in preserving the trans-Pacific dimension of the Asia-Pacific institution building.

We would like to conclude the introduction to the volume with some thoughts on opportunities for furthering Russia – US cooperation in the Asia-Pacific. Historically, Russia – US relations have mostly been defined by balance-of-power logic. Moscow and Washington moved closer to each other when they faced a common geopolitical challenge. Some argue that now is the time for the United States and Russia to seriously contemplate strategic alignment to check a rising China.¹ However, even if a Russian-

¹ See, for example, Stephen Blank, "The End of Russian Power in Asia?" *Orbis*, 56-2 (Spring 2012), 249–266.

American quasi-alliance in the Pacific on the basis of China hedging came into being, it would be a deficient partnership, sustained merely by the existence of a presumptive common threat.

In order to move from an interaction primarily based on a balance-of-power thinking to positive and genuine cooperation, the entire content of Russian-American relations has to be transformed. This means, in particular, that Russia and the United States need to become major economic partners for each other. In 2011, Russia-United States trade amounted to \$31.2 billion, accounting for just 3.8 percent of Russia's total foreign trade (in comparison, Russia's trade with Turkey was \$31.8 billion).² As of 2010, Russia was America's thirty-seventh largest goods export market.³ American business also seems reluctant to invest in Russia. With little more than US\$7 billion of accumulated investment, the United States is not even among the top ten investors in the Russian economy, behind Ireland, Japan, France, and other countries. In turn, Russian firms have invested US\$8.2 billion in the American economy,⁴ which is, of course, a negligible amount by US standards.

It seems paradoxical that Russia's Pacific territories, despite their proximity to America, have a miniscule amount of trade with the United States. In 2011, the volume of the Russian Far East's trade with the United States totaled just US\$741 million (2.2 percent of the Russian Far East's foreign trade).⁵ There is no single

² Russian Federal Customs Agency, "Russia's external trade in 2011," online: http://www.customs.ru/index2.php?option=com_content&view=article&id=15604:2011--&catid=125:2011-02-04-16-01-54&Itemid=1976.

³ Office of the US Trade Representative, US-Russia Trade Facts, online: <http://www.ustr.gov/russia>.

⁴ Russian Federal Statistics Agency, "Russia's accumulated investments in foreign countries" (in Russian), http://www.gks.ru/bgd/free/b04_03/IssWWW.exe/Stg/d03/42inv27.htm.

⁵ Far Eastern Customs Department, Russian Federal Customs Agency, "Foreign Trade of the Russian Federation's Federal Subjects in the Far Eastern District" (in Russian), online: http://dvtu.customs.ru/index.php?option=com_content&view=article&id=7870:2010-2011-&catid=63:stat-vnesh-torg-cat&Itemid=90.

direct air flight connecting the Russian Pacific territories with the United States.

Russia-US trans-Pacific economic ties received some boost in 2010, when the Eastern Siberia-Pacific Ocean pipeline (ESPO) came online, bringing to the United States' West Coast crude oil from inside Siberia. Thanks to the newly built pipeline, Russia is set to climb the rankings of the top oil exporters to the United States. In 2011, 15.2 million tons of oil was shipped to the Asia-Pacific countries via the Koz'mino port, the terminal point of the ESPO pipeline located near Nakhodka. The United States topped the list of importers of ESPO oil, followed by Japan, China, South Korea, and the Philippines.⁶

In addition to increasing the U.S.-bound shipments of hydrocarbons, much more ambitious projects are now under discussion concerning the economic future of Russia's Far East and Eastern Siberia. In particular, there is an idea of turning Russia's eastern territories, with their abundance of water, energy, and arable land, into a major producer of food, paper, and other basic resources for Asian countries.⁷ American financial and technological resources are well positioned to play a major role in realizing this grand project.

A promising sign of increased security cooperation between Moscow and Washington in the Asia-Pacific has been the Russian naval forces' participation for the first time in the international RIMPAC naval exercise in July 2012. Russia had three ships taking part in RIMPAC-2012 – a destroyer, tanker and salvage tug who completed an anti-piracy exercise alongside U.S. forces.

Russian-American relations may not be the most crucial bilateral relationship in the Asia-Pacific today, yet they can, and should, be a major component in the evolving regional order, contributing to political stability and economic prosperity of the Asia-Pacific.

⁶ "Some 15.2 mln tons of oil shipped from Koz'mino port in 2011" (in Russian), *PrimaMedia.ru* (13 January 2012), online: <http://primamedia.ru/news/economics/13.01.2012/186722/okolo-15-2-mln-tonn-nefti-otpravleno-iz-porta-quot-kozmino-quot-v-2011-godu.html>.

⁷ Sergey Karaganov, "Aziatskaya strategiya" (Strategy towards Asia), *Rossiyskaya Gazeta*, 17 June 2011.

PART ONE: REGIONAL SECURITY TRENDS AND EMERGING ISSUES

Chapter One

Lori Forman

Economic Security in the APEC Region: Knowns and Unknowns

There are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns – there are things we do not know we don't know.¹

Executive Summary

Is managing the economy in the APEC region an exercise of managing unknowns? While there is ample uncertainty today, several observations on economic security in the region can be made with sufficient confidence. To begin with, a strong economy is and will continue to be a necessary component of national security. Among other knowns:

- Key demographic factors have an indelible impact on economic security throughout the APEC region.
- While incomes are on the rise, so, too, is the inequitable distribution of those gains.
- An important percentage of the labor fueling APEC economies is mobile and, when the economic asset deployed abroad is a nation's people, security issues become increasingly complex.
- The most recent financial crisis will not be our last.

¹ Statement by US Secretary of Defense Donald Rumsfeld at a Press Briefing (February 12, 2002).

The key known, however, is perhaps the most important: despite what we do not yet know, in this fast-paced, globalized world, we need to keep learning from the past – and from each other – if we hope to understand the complexity of the global economy and achieve an acceptable level of economic security.

Since February 2002, analysts have debated which national security factors are known, unknown, or a combination thereof. For those concerned with economic security, the past few years have been riddled with unknowns as individuals, businesses, and governments were caught short when the global economy tumbled from its record-breaking highs in 2008. While the United States was at the epicenter of the collapse, some APEC² economies were spared the worst effects, yet no one was completely insulated from the consequences of this global economic readjustment. The millions of people who lost their jobs, savings, or homes may consider management of the economy the biggest unknown, as they have asked, “How could this happen?” and “Who was in charge?”

But is managing the economy in the APEC region in fact an exercise in managing unknowns? What do we know about the future of the economy in APEC with sufficient certainty to classify as “known knowns,” and what remains unknown?

To begin with, we know a strong national economy is and will continue to be a necessary component of national security. Without a strong economy, a nation’s ability to project power – hard, soft, smart, or any other variety of power – is constrained. Within the APEC region, several national security strategies or national

² According to its website, Asia Pacific Economic Cooperation (APEC) is “the premier Asia-Pacific economic forum. Currently, twenty-one economies are members of APEC: Australia, Brunei Darussalam, Canada, Chile, the People’s Republic of China, Hong Kong China, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Chinese Taipei, Thailand, the United States, and Vietnam (names of economies are per the APEC designation). This chapter uses publicly available databases such as those of the World Bank, the United Nations, and Organization for Economic Co-operation and Development. These databases do not have separate entries for “Chinese Taipei.” When referring to that economy, separate sources are used and cited accordingly.

security policies specifically underscore the relationship between the economy, security, and power:

- The May 2010 *National Security Strategy* of the United States declares, “At the center of our efforts is a commitment to renew our economy, which serves as the wellspring of national power...” and American prosperity “serves as a leading source of our influence in the world.”³
- The 2009 document, *National Security Strategy of the Russian Federation to 2020*, proclaims, “The state of national security of the Russian Federation is directly dependent on the economic potential of the country and the effectiveness of the system of provision of national security.”⁴
- In *Securing the Gains of Democracy: National Security Policy 2011-2016*, the Philippines aims to “collectively pursue and build the economy to be strong, capable of supporting national endeavors, and derives its strength from the solidarity of our people who have an organic stake in it through participation and ownership. This is the core interest of the national vision to ensure that Filipinos become stakeholders in economic and business enterprises so that they will collectively defend, protect, and improve the economic system for themselves and the future generations of Filipinos.”⁵
- Vietnam also puts the economy at the forefront of national security. The 2009 paper, *Vietnam National Defences*, asserts the nation “always regards the maintenance of peaceful and stable environment for socio-economic development, industrialization and modernization, building the socialism-

³ Office of the President, United States of America, *National Security Strategy* (Washington, DC, 2010), available at: http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf.

⁴ Decree of the President of the Russian Federation. *National Security Strategy of the Russian Federation to 2020* (Moscow, 2009), available at: <http://rustrans.wikidot.com/russia-s-national-security-strategy-to-2020>.

⁵ Office of the President, Republic of the Philippines. *National Security Policy: Securing the Gains of Democracy* (Manila, Philippines, 2011).

oriented market economy as the top national interest, and the consistent goal of its national defence policy.”⁶

- New Zealand’s national security system is based on “seven key objectives [which] underpin a comprehensive concept of National Security,” one of which is “sustaining economic prosperity: maintaining and advancing the economic well being of individuals, families, businesses, and communities.” The threshold for central government engagement on national security includes conditions in which “risks are such that they could... adversely and systematically affect” not only the nation’s borders and citizen safety, but also its economy.⁷

While not all of the national security strategies of APEC nations openly state this connection between economic and overall power, it is hard to imagine an APEC leader who would not agree on the role the economy plays in defining national power.

We also know that, barring a major catastrophe, population trends for the next fifty years foretell a dramatic aging of society in many APEC economies and that these demographic factors will have an indelible impact on economic security throughout the region. Aging affects an economy in two primary ways: On the supply side, there is the reduction of productive labor for the workforce. On the demand side, there are increased costs, particularly for the payment of pensions and the provision of health care.

Forward-looking government policies during the period of a demographic dividend (when decreased fertility rates create a “bulge” in the population in the productive fifteen-to-sixty-four age group) also portend how well a country can deal with the demographic shift to dependence (when those in the nonworking ages exceed the fifteen-to-sixty-four-year-old cohort). However, for many countries in Asia, the ability to deal proactively with the inevitable issues of aging was disrupted by the previous financial

⁶ Minister of National Defense, Socialist Republic of Vietnam, *Vietnam National Defense*, (Hanoi, 2009).

⁷ *New Zealand’s National Security System* (2011), available at: <http://www.dpmc.govt.nz/sites/all/files/publications/national-security-system.pdf>.

crisis of 1997. Even without the prior crisis, many governments find it difficult to fully prepare for effects that will occur a generation in the future. After all, economic policies are not solely a function of the market, they are political developments. Demands to immediately deliver upon political promises limit both the incentive and the ability to plan for the future.

With a population that has the highest percentage of elderly in the world, Japan is already facing the dual economic challenge of absolute population decline and relative population aging. We know that the demographic picture will not improve for the next generation of Japanese either: according to United Nations estimates, by 2050, the absolute number of Japanese of productive working age (fifteen to sixty-four years old) will be less than the dependent population of the country (those under fifteen years of age, or sixty-five and older).⁸

Korea is likewise aging: At the founding of APEC in late 1989, senior citizens comprised less than 5 percent of Korea's population. Today, that percentage has more than doubled and stands at nearly 12 percent of the nation's population. Over the same period, the percentage of Thailand's over-sixty-five population has also doubled, from 4.5 percent to 9 percent. As of the latest comparable statistics (2010), nine APEC economies report senior populations that exceed 10 percent of their populations: Japan, Canada, Australia, the United States, New Zealand, the Russian Federation, Hong Kong, Korea, and Chinese Taipei.⁹

China has enjoyed the benefits of a demographic dividend for a generation, but the dividend is transitory. The introduction of the one-child policy in 1979 reduced the overall population size, but also set in place both a forty-year dividend and the inevitable ag-

⁸ United Nations Department of Economic and Social Affairs. *World Population Prospects: The 2010 Revisions* (New York, 2011), http://esa.un.org/wpp/unpp/panel_indicators.htm.

⁹ APEC figures from World Bank Databank, <http://databank.worldbank.org/data/home.aspx>; Taipei figures from National Statistics, ROC (Taiwan) <http://eng.stat.gov.tw/point.asp?index=4>.

ing of Chinese society to follow. “In 1980 China’s median age (the point where half the population is older and half younger) was twenty-two years, a developing-country figure. China will be older than America as early as 2020 and older than Europe by 2030. This will bring an abrupt end to its cheap-labor manufacturing. Its dependency ratio will rise from 38 to 64 by 2050, the sharpest rise in the world.”¹⁰

Fueled in part by the demographics of where labor is needed versus where excess labor supply exists, we also know that an important percentage of the labor fueling the APEC economies is mobile. The officially reported value of their remittances can exceed more than 10 percent of GDP in labor-sending economies; given that many remittances are sent home via informal networks, this figure is likely to be much higher. According to the International Organization on Migration, not only is the number of South and East Asian labor migrants increasing, increases are also seen in the numbers finding employment within the region, doing so in an undocumented status, and in the percentage that are women,¹¹ all factors that limit wages and therefore limit the economic impact of these remittances.

Nonetheless, for countries deploying their labor resources, the value of the officially reported remittances traditionally exceed the levels of any official development assistance received, and frequently rivals or exceeds the amount of foreign direct investment. Within APEC, this is seen most strongly in the Philippines and Mexico but is also experienced in Indonesia, Korea, and Vietnam. Jobs in the Middle East attract the bulk of APEC’s labor migrants, but, among the APEC economies, Hong Kong, Singapore, and the United States are key receiving countries. Malaysia, Australia, and New Zealand also receive significant numbers of overseas workers from nearby nations, such as Indonesia and the Pacific Islands, respectively.

¹⁰ “A Tale of Three Islands,” *The Economist* (October 22, 2011), available at: <http://www.economist.com/node/21533364>.

¹¹ International Organization for Migration, *World Migration Report* (Geneva, 2005).

While having investments in physical infrastructure overseas raises complicated issues related to national economic security, we know when the economic asset deployed abroad is a nation's people, security issues become increasingly complex. The Philippines' extensive infrastructure of the Department of Labor and Employment, the Philippine Overseas Employment Administration, the Overseas Workers Welfare Administration, and multiple nongovernmental organizations concerned with workers' rights and skills training creates a substantial base of support for the export of Philippine labor. In 2010, official figures indicated nearly 9.5 million Filipinos were abroad for labor purposes.¹² Indonesia is also increasing its export of labor to help the domestic economy. However, the Indonesian program of official support is not as deep and diversified as the Filipino effort. Estimates indicate more than 1 million Indonesian women are working as domestic housekeepers in Kuala Lumpur alone, out of the estimated 700,000 undocumented and 1.3 million documented Indonesian workers in Malaysia.¹³ While these women's labors may provide some economic advancement for their families, their contributions to Indonesia's GDP is a fraction of their Filipino counterparts, as Filipinos are seen around the world in various higher-paying service industries and, with nearly 350,000 sea-based Filipinos, hold a dominant position in the seafarer community.

We know that the phenomenon of labor migration is both a reflection of lack of sufficient economic opportunities in the sending countries, which creates an available supply, and market demand in the receiving countries. It is also affected by the policies and attitudes of the receiving countries. Korea, with an aging

¹² Department of Labor and Employment, *Current Labor Statistics 2012*, Republic of the Philippines, <http://www.bles.dole.gov.ph/PUBLICATIONS/Current%20Labor%20Statistics/STATISTICAL%20TABLES/Tab33.pdf>.

¹³ World Bank, *The Malaysia-Indonesia Remittance Corridor*, World Bank Working Paper 149 (2008), <http://siteresources.worldbank.org/INTAML/Resources/Malaysia-Indonesia.pdf>.

population, has been officially accepting more overseas workers since the early 1990s, and seeing an influx of undocumented workers as market demand for labor exceeds official channels. Japan, on the other hand, remains resistant to large-scale import of foreign labor, despite the aging economy and the shortfall of domestic labor for key industries. Globalization and the lengthening of supply chains have allowed Japan to maintain this stance by employing foreign labor, but in factories overseas rather than bringing them to Japan. While the resistance to accepting foreign labor within Japan itself may be rooted in longstanding cultural norms, the negative economic impact is seen in an insufficient labor supply, particularly in service industries – ranging from nursing to domestic construction – which cannot be physically outsourced to another land.¹⁴

We know that there is a decline in the agricultural workforce, which is concurrent with an increase in urbanization as people move off the farms and into the cities. There has not been a dramatic change in the percent of agricultural land, but several countries in the APEC region, particularly Vietnam, the Philippines, and China, have witnessed marked declines in the contribution of agriculture to the nations' economies. However, this relative decline speaks more to the dramatic increase in other sectors of the economy, rather than an absolute drop in agricultural production or agricultural value. Furthermore, despite fewer workers, agricultural production has been sustained with technological and biological advances. In fact, while hunger remains a non-eradicated problem throughout the developing world, global net calorie consumption is up, and, with it, a rise in obesity and related lifestyle diseases that negatively impact the economy through lower productivity and increased healthcare costs.

We know that the APEC region is beset with a wide range of natural disasters that have lasting impacts on the region's economy. The triple disaster of an earthquake, a tsunami, and a nuclear

¹⁴ Hiroko Tabuchi, "Japan Keeps a High Wall for Foreign Labor" *The New York Times* (January 2, 2011), available at: <http://www.nytimes.com/2011/01/03/world/asia/03japan.html?pagewanted=all>.

event in Japan in 2011 is estimated to have negatively impacted the Japanese economy by trillions of yen. The Japanese government estimates the material loss alone to exceed USD 300 billion. For some major Japanese manufacturers, such as Toyota, the situation was further negatively impacted by a fourth crisis 4,600 kilometers away – the 2011 monsoon floods in Thailand, where many of the company's component parts are produced. Due to these natural phenomena, Japan's already-weak economic forecasts in 2011 were revised further downward from a pre-quake figure of 1.4 percent GDP growth to a post-quake figure of 0.4 percent.

Of course, the constant unknown is where and when the next disaster will strike. Regardless of its location, it is a given, if not a known, that nearly every government of the region is under-prepared and under-financed to deal with major multiple disasters, because budgets are not robust enough to include mitigation measures. This is particularly true at a time when government budgets throughout the region are being slashed and limited funds are being redirected to issues of the "here and now" rather than devoted to preparedness measures for disasters that only "might be."

Whether due to natural disasters, fewer farmers and less farmland, increases in the cost of inputs such as fuel, or changes in government agriculture subsidies, we know that fluctuation in food prices is often the breaking point for public tolerance. Price changes can also come from reduced subsidies or increased taxes on key agricultural items. Across the globe and throughout history, events that have become associated with political upheaval have often begun as protests over the price of key commodities. News reports from recent times remind us:

- "After all, it was concerns about spiraling prices that first stirred protests in the run-up to the 1989 occupation of Tiananmen Square."¹⁵

¹⁵ David Pilling, "Why Beijing Must End Inflation – or Else," *Financial Times* (May 18, 2011), available at: <http://www.ft.com/intl/cms/s/0/1bf6dc04-817c-11e0-9c83-00144feabdc0.html?ftcamp=rss#axzz1pSladapK>.

- “Nearly 100 people were detained after a peaceful protest [in Jakarta] over the rising prices and food shortages that are forcing shoppers to spend hours in search of basic items like cooking oil and baby formula.”¹⁶
- “Toward the end of last year, prices of basic commodities began rising sharply in Burma. Rice, eggs, and cooking oil all went up by around 30–40%. For a population that on average spends 70% of its income on food, this was very difficult to absorb... Within days activists were out on the streets in protest. When they were arrested, the monks who can accurately measure economic distress by the food put into their begging bowls every morning – took their place.”¹⁷

Based on these observations, we add another “known known” to the list: When economic hardship moves to the dining table, the follow-on steps can go beyond economic adjustments to focus on political change.

The persistence of hunger concurrent with growing obesity points to another known with economic roots: While incomes are on the rise, so, too, is the inequitable distribution of those gains. Today, nearly 60 percent of the population of developing Asia is considered middle class, meaning they live on an amount ranging between USD 2 to USD 20 per day. This compares to 1990, when only 21 percent of developing Asia was middle class. Forecasts indicate that by 2030, two-thirds of the global middle class will live in Asia-Pacific, compared to less than one-third today.¹⁸

¹⁶ Seth Dyans, “Indonesia Cracks Down as Protests Hit Capital,” *The New York Times* (February 12, 1998), available at: <http://www.nytimes.com/1998/02/12/world/indonesia-cracks-down-as-protests-hit-capital.html?pagewanted=all>.

¹⁷ Jonathan Head, “The Hardship That Sparked Burma’s Unrest,” BBC News (Bangkok October 2, 2007), available at: <http://news.bbc.co.uk/2/hi/asia-pacific/7023548.stm>.

¹⁸ Homi Kharas, “The Emerging Middle Class in Developing Countries” (Brookings Institution, June 2011), available at: <http://siteresources.worldbank.org/EXTABCDE/Resources/7455676-1292528456380/7626791-1303141641402/7878676-1306699356046/Parallel-Session-6-Homi-Kharas.pdf>.

While these figures indicate that Asia as a whole is getting richer, the concurrent rise in Asia's Gini coefficients¹⁹ indicate the rich are getting richer at a faster rate, widening the gap between rich and poor. To complicate matters, periods of rapid development are generally accompanied by inflationary increases, and inflation in food prices disproportionately affects the poor. In addition to stirring political unrest, suppressing the ability of the poor to advance creates a vicious circle by limiting the ability of the market to expand, in turn limiting growth. Therefore, despite continued developmental advances within the APEC economies, we cannot forget there are still millions of people living in poverty. In just three APEC economies with current World Bank reporting data – Indonesia, the Philippines, Vietnam – nearly 170 million people live on less than USD 2 per day. Adding Chinese living below the poverty line can nearly double that number, depending on which statistics are being used.²⁰

That inequalities and imbalances exist is inherent in an economic system based on the concept of competitive advantage; there will be relative winners and relative losers. Fortunately, there is a demonstrated level of situational public tolerance for these inequities: We do not riot in the streets when a sports celebrity makes a multimillion-dollar salary, compared to the rest of us, who do not. We may even cheer the entrepreneur who strikes it rich with a unique invention. However, wealth that is neither earned nor deserved, perhaps gained through greed or corruption, creates problems.

Likewise, an increasing concentration of economic power in the hands of a few is problematic. When tolerance levels are exceeded, the results are jeers, not cheers, and street protests are

¹⁹ The Gini coefficient measures the inequality among values of a frequency distribution (for example, levels of income). A Gini coefficient of zero expresses perfect equality, where all values are the same (for example, where everyone has an exactly equal income). A Gini coefficient of one (100 on the percentile scale) expresses maximal inequality among values (for example, where only one person has all the income).

²⁰ Jin Zhu, "China to Raise Its Poverty Line," *China Daily* (October 28, 2010), available at: http://www.chinadaily.com.cn/china/2010-10/28/content_11467561.htm.

indeed likely: Witness the “Occupy” movement that has gotten traction in various parts of the globe. Occupy protesters use “We are the 99 percent” as a rallying cry, isolating the 1 percent who hold a disproportionate share of the wealth as the cause of the problem. In the United States, for instance, the top 1 percent of households possesses 22 percent of the total national income. In Asia, “income disparities are now rising faster than before and increasing more sharply than elsewhere. Questions over political tensions aside, this matters for growth. First, it’s a drag on productivity. Second, it makes harmful populist policies very tempting.”²¹ For economic and political reasons, the ability to keep the inequalities within public-tolerance levels is a necessary skill for security practitioners.

Regrettably, a key known for those in the field of economic security is that the most recent financial crisis will not be our last. Whether a factor of inventive forms of greed, the inability of oversight to keep up with an evolving global economy, or simply a cyclical inevitability of a market economy, something akin to the events in 2008 will, unfortunately, happen again. When it will happen, triggered by what, and who will be hit the hardest remain unknowns to even the most self-confident economic pundit. This leads us to our final known: Despite what we do not yet know, in this fast-paced, globalized world, we need to keep learning from the past – and from each other – if we hope to understand the complexity of the global economy and achieve an acceptable level of economic security throughout the APEC region.

²¹ Frederick Neumann, “Asia’s Perilous Inequality,” *The New York Times* (March 6, 2012), http://www.nytimes.com/2012/03/07/opinion/asias-perilous-inequality.html?_r=1&ref=incomeinequality.

Chapter Two

J. Scott Hauger

Climate Change and Environmental Security in the Asia-Pacific Region: A Role for APEC?

Executive Summary

- Climate-related global change poses real threats and complex challenges to environmental and economic security.
- Addressing the problems of this transnational phenomenon requires international collaboration at multiple levels.
- Multilateral activities to address these problems and to connect research to policy are sparse and unintegrated in the Asia-Pacific region.
- An opportunity exists for APEC to expand upon current mechanisms and activities to enhance regional economic and environmental security.

Introduction

According to a recent report by APEC's Energy Working Group, "energy security and climate change have emerged as two key and related challenges to maintaining regional economic growth and prosperity."¹ Establishing the linkages between security and climate change is a case study in complexity, illustrating the need for both interdisciplinary and international collaboration to understand and address an interactive set of complex problems.

This chapter is concerned with the need and scope for security cooperation in the Asia-Pacific region to address the problems posed by climate change. It suggests that a timely opportunity exists for APEC to play an important, leadership role in meeting that need.

¹ APEC Peer Review on Energy Efficiency (February 2008), available at: http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-TechnicalCooperation/Working-Groups/~media/Files/Groups/EWG/PREE_Guidelines.ashx.

The Science of Climate Change

According to the Intergovernmental Panel on Climate Change (IPCC), the average global temperature has increased by about one degree Celsius over the past 100 years, largely as a consequence of anthropogenic greenhouse gas (GHG) emission from the burning of fossil fuels and the destruction of forests.² The phenomenon is explained by the Greenhouse Effect, whereby GHG molecules in the atmosphere are transparent to incoming visible light but opaque to infrared radiation (IR) reflected from the Earth's surface. As the atmospheric GHG concentration rises, less IR escapes into space and more is reflected back to Earth, raising its temperature.

This excess heat contributes to the expansion of oceans and rising sea levels; greater evaporation, precipitation, and eventually flooding; more intense storms; higher evapotranspiration rates and, thus, dryer lands; the melting of snow packs and glacial ice, with consequent changes to fresh-water supplies; and other changes to the natural environment, such as the northward spread of vector-borne diseases.

The atmospheric GHG concentrations that are slowly reversing have important security policy implications: 1) developing nations cannot safely pursue the same fossil fuel-based industrialization strategies as their predecessors because of the cumulative effect of GHG emissions; 2) global warming will continue at an increasing rate and with increasing impacts until atmospheric GHG concentrations are substantially reduced through a combination of emission reductions and natural or engineered carbon sequestration; and 3) even aggressive GHG mitigation policies cannot quickly reverse the impacts of past emissions, making some level of human adaptation to a changed climate necessary.

² IPCC, Fourth Assessment Report (2007), available at: <http://www.ipcc.ch/>.

Climate Change, Economic Development, and Security

Economic development ultimately depends on the consumption of natural resources and the expenditure of energy in their transformation into distributed products. The tension between environmental security and economic security is captured by the concept of sustainable development articulated in the twenty-seven principles of the Rio Declaration on Environment and Development in 1992.

Climate change has the potential to affect both environmental security and economic security through its impacts on the natural and built environments. Those threats to human security, in turn, pose traditional security threats to the governments that must deal with them. Climate impacts on environmental security are direct: changes in precipitation, sea-level rise, and extreme weather events can degrade food production and fresh water supplies in vulnerable regions. Impacts on the built environment occur through riparian flooding, coastal storms, or the melting of permafrost. Threats to economic security follow as a consequence of environmental degradation, and also from the impacts of climate change on food, energy, and infrastructure costs.

Unfortunately, climate trends will interact with other global trends in negative ways. In some Asia-Pacific nations, increasing populations will create growing needs for food, water, and energy. Economic development and a rising middle class will further increase demand. Urbanization of coastal areas will increase climate vulnerability, while air and water pollution will further stress water supplies and human health. Deforestation, desertification, and agricultural land degradation will decrease terrestrial carbon sequestration, contributing to the greenhouse effect.

Climate change thus threatens economic security by narrowing the window for achieving sustainable development. The security problem is exacerbated because the nations at highest risk are not typically responsible for the industrial development that contributed to current GHG levels. Indeed, for some Asia-Pacific nations, the threat of climate change is existential. Rising sea levels and

storm surges threaten water, food, and shelter on low-lying island nations.³ Other low-lying nations, such as Bangladesh, are highly vulnerable to climate change, as are coastal cities in nations including Vietnam, the Philippines, China, and India. Water supplies and, thus, agriculture are at risk in eastern and southern Asian nations where rivers originate in Himalayan glaciers, and in areas threatened by drought or desertification, including large areas of China and Australia. Competing demands for water may be exacerbated by climate change in transnational watersheds such as the Indus, Ganges, Brahmaputra, and Mekong rivers, requiring international cooperation for conflict management.

Developing nations in the Asia-Pacific region tend to frame climate change as a sustainable development problem. Developed nations, concerned about regional stability in the face of climate-related stress, have begun to frame it as a security problem. Indeed, the “securitization of climate change” has itself become a matter of contention. Since 2007, developed nations, including the United States and Australia, have begun to adopt a security framework for addressing problems of climate change,⁴ a perspective resisted by major developing countries, including China, India, and the Russian Federation. In a July 2011, debate in the U.N. Security Council, as reported in *The New York Times*, “Western powers like the United States argued that the potential effects of climate change, including the mass migrations of populations, made it a crucial issue in terms of global peace and security. Russia and China, backed by much of the developing world, rejected the notion that the issue even belonged on the Security Council agenda.”⁵

³ See, for example, Pacific Small Island Developing States, “Views on the Possible Security Implications of Climate Change” (September 2009), available at: http://www.un.org/esa/dsd/resources/res_pdfs/ga-64/cc-inputs/PSIDS_CCIS.pdf.

⁴ U.S. Department of Defense, *2010 Quadrennial Defense Review Report* (February), 84–88, available at: http://www.defense.gov/qdr/images/QDR_as_of_12Feb10_1000.pdf.

⁵ Neil MacFarquhar, “U.N. Deadlock on Addressing Climate Shift,” *The New York Times* (20 July, 2011), available at: <http://www.nytimes.com/2011/07/21/world/21nations.html>.

The complexities of the Earth system are compounded by the different interests and perspectives of the nation states that must cooperate to address the problems of climate change. Moreover, pathways for the solutions of those problems must cross boundaries of practice, such as scientific research, economic development, and security, and those of institution and protocol, including global, regional, and bilateral international relations.

Climate Change and International Cooperation for Development and Security

It is possible to discern three areas for action to address the complex problems of climate change: 1) GHG mitigation through emission reduction and sequestration; 2) adaptation, or changes in practice and resilience to ameliorate the impacts of warming; 3) knowledge creation and dissemination to support policy and planning in the other two areas.

Responsibility for both human and national security is exercised primarily by sovereign nations through their agencies of government, and internationally through bilateral and multilateral agreements. Climate change is an inherently transnational phenomenon, and addressing its problems requires action at several levels. Climate change is on the agenda of global organizations such as the United Nations (UN) and the World Bank, and regional organizations such as APEC, the Association of South East Asian Nations (ASEAN), and the Asian Development Bank (ADB). Bilateral relations to address issues of climate change have been established across the Asia-Pacific region by national agencies for development, research, and security. The role of multilateral regional organizations is less developed and less known.

Global organizations have been most successful at knowledge synthesis and dissemination. IPCC has successfully drawn upon worldwide scientific research to inform policy makers and the public worldwide. Global organizations have been less successful at crafting agreements for GHG mitigation. The UN Framework Convention on Climate Change (UNFCCC) has worked since

1992 to forge an agreement on national actions for GHG mitigation. The Kyoto Protocol of 1997 failed to resolve differences between developed and developing nations, and subsequent attempts to find common ground have yet to achieve general agreement. Meanwhile, global GHG emissions continue to grow.⁶

More recently, UNFCCC conferences have begun to consider global needs for adaptation to climate change. Most agreements concern multilateral funding to support adaptation projects in the least developed countries. In 2001, the Marrakesh meeting agreed to support the world's forty-nine least-developed countries, including thirteen Asia-Pacific nations, in preparing National Adaptation Programs of Action. The Cancun conference of 2010 adopted a UNFCCC Adaptation Framework, followed in 2011 by an agreement in Durban to establish a Green Climate Fund with a goal of \$100 billion per year by 2020.⁷

That is an ambitious goal, given OECD's calculation that multilateral aid for climate adaptation and mitigation was \$718 million in 2010. Bilateral aid, on the other hand, totaled \$23 billion, with Japan the largest donor, at almost \$8 billion.⁸ National development agencies in several OECD nations have instituted programs to help developing nations adapt to the impacts of climate change. In 2010, for example, President Barack Obama established a Global Climate Change Initiative as a pillar of U.S. development policy. In 2012, USAID published its Climate Change & Development Strategy, with a goal to "enable countries to accelerate their transition to climate-resilient low emission sustainable development."⁹

⁶ Justin Gillis, "Carbon Emissions Show Biggest Jump Ever Recorded," in *The New York Times* (December 4, 2011), available at: <http://www.nytimes.com/2011/12/05/science/earth/record-jump-in-emissions-in-2010-study-finds.html>.

⁷ John M. Broder, "Climate Talks in Durban Yield Limited Agreement," in *The New York Times* (December 11, 2011), available at: <http://www.nytimes.com/2011/12/12/science/earth/countries-at-un-conference-agree-to-draft-new-emissions-treaty.html>.

⁸ OECD, "First-ever Comprehensive Data on Aid for Climate Change Adaptation" (November 2011), available at: <http://www.oecd.org/dataoecd/54/43/49187939.pdf>.

⁹ USAID, "Climate Change and Development: Clean Resilient Growth" (January 2012), available at: www.usaid.gov/our_work/policy_planning_and_learning/documents/GCCS.pdf.

The U.K. Department for International Development and Canada's International Development Research Centre jointly sponsored a series of investigative reports on climate adaptation in Asia.¹⁰ The Japan International Cooperation Agency supports climate-related development projects in every Asian developing nation except North Korea.¹¹ The Korea International Cooperation Agency, in 2008, established an East Asia Partnership Program that undertakes bilateral energy and environmental development projects in ten Asia-Pacific nations.¹²

Asia-Pacific nations also cooperate in a variety of bilateral climate-related research programs. In 2011, for example, Australia's Pacific Climate Change Science Program published climate projections in cooperation with the meteorological services of 15 Pacific island nations.¹³ In 2009, China and the United States launched a U.S.–China Clean Energy Research Center.¹⁴ The U.S. Environmental Protection Agency lists eight bilateral research programs engaging Asia-Pacific nations, including China, India, the Philippines, and South Korea.¹⁵

Asia-Pacific regional security organizations have not played a leading role in addressing climate issues. ASEAN leaders issued an aspirational climate policy declaration calling for international agreement on GHG mitigation consistent with sustainable growth, and developed a common platform in advance of the Copenhagen summit in 2009.¹⁶ But ASEAN has not taken a lead in regional pro-

¹⁰ Reports on China, South Asia and Southeast Asia are available at <http://www.i-s-e-t.org/publications/reports>.

¹¹ Japan International Cooperation Agency, "JICA's Cooperation for Climate Change" (October 2010), 6, available at: www.jica.go.jp/english/publications/brochures/pdf/climate_change.pdf.

¹² See KOICA's website at <http://eacp.koica.go.kr/business/01.jsp>.

¹³ Available at: <http://www.cawcr.gov.au/projects/PCCSP/publications.html>.

¹⁴ See the Center's website at: <http://www.us-china-cerc.org/index.html>.

¹⁵ U.S. EPA, "Bilateral Partnerships and Activities" (undated), agency web page at: http://epa.gov/climatechange/policy/international_bilateral.html.

¹⁶ ASEAN Statement on Joint Response to Climate Change (April 9, 2010), available at: www.asean.org/24515.htm.

gram development for mitigation or adaptation. In 2009 and 2010, the ASEAN Regional Forum (ARF) held seminars to discuss the security implications of climate change, but, to date, these meetings have not had programmatic results.”¹⁷

Regional R&D organizations have had varied levels of success. In 2005, seven Asia-Pacific nations formed the Asia-Pacific Partnership on Clean Development and Climate (APP), a non-treaty, public-private partnership for technology development and transfer for GHG mitigation. It was seen by some as a U.S.-sponsored, industry-friendly alternative to the regime of the Kyoto Protocols.¹⁸ If so, it was a short-lived initiative. APP quietly closed its doors in April 2011.

Three of APP’s eight industrial task forces (steel, power, and cement) became core members of a new, Global Superior Energy Performance Partnership established by the Clean Energy Ministerial Meeting in 2010.¹⁹ This suggests that GHG mitigation is inherently a problem of the global commons, and technology development for GHG mitigation is best addressed at the global level.

More successful has been the Asia-Pacific Network for Global Change Research (APN), based in Kobe, Japan. APN funds collaborative, problem-driven research that can contribute to the development of policy options to respond to global change. APN’s budget is small, but its projects are both inclusive and responsive to regional needs. Its awards are typically \$30,000 to \$60,000 per annum. About \$700,000 is awarded each year for research and

¹⁷ Manalo, Enrique A. “Results of ‘The ASEAN Regional Forum: Security Implications of Climate Change’ (March 30, 2011), remarks to the IOM Workshop on Climate Change, Environmental Degradation and Migration, available at: www.iom.int/jahia/webdav/shared/shared/mainsite/microsites/IDM/workshops/climate-change-2011/SessionIV-Presentation-Enrique-Manalo.pdf.

¹⁸ “The Asia-Pacific Partnership and the Kyoto Protocols: In Conflict or Cooperation?” in *Science Daily* (January 11, 2010), available at: www.sciencedaily.com/releases/2010/01/100111102529.htm].

¹⁹ Fujiwara, Noriko, “Sector-specific Activities as the Driving Force towards a Low-Carbon Economy: From the Asia-Pacific Partnership to a Global Partnership,” *CEPS Policy Brief No 262* (January 2012), available at www.ceps.eu.

\$600,000 for technology and policy capacity-building projects in the form of workshops and conferences.²⁰ APN's projects are multinational, regional, and address specific issues of adaptation or mitigation. For example, a 2009, Russian-led project engaged researchers from Australia, China, Thailand, and Vietnam to address water insecurity in Asia-Pacific river basins. An American-led project engaged researchers from Laos, Thailand, and Vietnam to study ways that small landholders could contribute to national GHG emission goals.²¹

Twenty-two countries participate in APN programs, but APN funding has been essentially bilateral. The Environment Agency of Japan and the Hyogo Prefecture provide about 80 percent of its budget, and the U.S. Global Change Research Program about 20 percent. Although APN has consistently sought to broaden its funding base, only Australia, New Zealand, and Korea have contributed occasional, token amounts to the general budget. Member nations do provide additional support to specific projects in which their institutions are involved.²²

As a regional economic forum, APEC has also become engaged with knowledge production and policy for climate change. In 2007, APEC leaders issued a "Declaration on Climate Change, Energy Security and Clean Development". The *Sydney Declaration* recognized the need for a mitigation agreement under the UNFCCC and set forth aspirational goals for mitigation and sequestration for member nations. It also promulgated an APEC Action Agenda that agreed to establish an Asia-Pacific Network for Energy Technology (APNet) and an Asia-Pacific Network for Sustainable Forest Management (APFNet), addressing two areas of importance

²⁰ APN, APN Science Bulletin, Issue 2 (March 2012), 122–124, available at: <http://www.apn-gcr.org/resources/items/show/1746>.

²¹ APN, Annual Report 2009-2010, 3, available at: http://www.apn-gcr.org/images/publications/institutional/annualReports/AnnualReport_0910_English.pdf.

²² APN, "Strategic Plan 1999-2004," "Strategic Plan 2005-2010," and "2010-2015 Strategic Plan," available at: <http://www.apn-gcr.org/publications/institutional/strategic-plans/>.

to GHG mitigation.²³ APFNet was launched in 2008, with support from China, Australia, and the United States. It has begun to implement programs to achieve the APEC goal of increasing forest cover by 20 million hectares by 2020.²⁴ APNet has yet to get off the ground.

Perhaps because of its emphasis on GHG mitigation, the Sydney Declaration did not take note of the APEC Climate Center (APCC). APCC was established in Busan, Korea, in 2005, in response to a proposal by the Korea Meteorological Administration. The center develops climate and weather models and provides stakeholders with long-term weather forecasts and projections of regional climate impacts on energy, agriculture, and environmental services. With APEC funding, the center has conducted a scientific symposium on climate change each year since 2006, most recently at the 2011 APEC summit in Honolulu. The center has also received funding for technical-training projects from KOICA and APN.²⁵ Although APCC's work has historically focused on meteorology and climate science, the keynote presentation at the 2011 symposium, by Rosina Bierbaum, proposed that adaptation to climate change "...is a huge research agenda that has not been tackled seriously domestically or internationally." She emphasized a need for integrative regional assessments involving stakeholders.²⁶ Subsequent to the symposium, APCC issued a statement, "While APCC has tried to widen its areas of research and services beyond climate science to its application since 2011, APCC is planning to

²³ APEC, "Sydney APEC Leaders' Declaration on Climate Change, Energy Security and Clean Development" (September 9, 2007), available at: http://www.apec.org/Meeting-Papers/Leaders-Declarations/2007/2007_aelm/aelm_climatechange.aspx.

²⁴ "Submission of the Asia-Pacific Network for Sustainable Forest Management and Rehabilitation (APFNet) to the Eighth Session of UNFF, (2009), available at: www.un.org/esa/forests/pdf/national_reports/unff8/APFNet.pdf.

²⁵ APEC Climate Center, "History" (2011), web page at the APCC website, available at: http://www.apcc21.net/eng/about/hist/japcc010301_1st.jsp.

²⁶ Rosina Bierbaum, "Adaptation to Climate Change: A rich and timely agenda" (PowerPoint presentation to APCC Symposium, October 17, 2011), available at: http://www.apcc21.net/eng/acts/pastsym/japcc0202_viv.jsp.

further diversify its activities to support research and services to meet socioeconomic needs and interests through 2012.²⁷

It should be noted that APEC support to APCC is given through the Working Group on Industrial Science and Technology. Mitigation projects are also supported by the Working Group on Energy. This structure is consistent with APEC's origins and economic focus. However, the implications of climate change for economic security suggest that a new working group might be appropriate to deal with this emerging threat to economic security.

Conclusion: A Role for APEC?

Climate change is an emerging phenomenon, complexly related to other global trends impacting the physical and social environments. It poses a threat to both economic and environmental security, the scope and scale depending on actions taken to mitigate GHG emissions. Political response to the threat can be addressed in three categories: mitigation, adaptation, and knowledge creation and dissemination.

Mitigation, adaptation, and research activities will take place within the international order of sovereign nations, but the transnational nature of the problem and its threat to the stability of states make international collaboration to address the problem a necessity. Earth's atmosphere is a global commons, and emissions or sequestration at any site affect all locations worldwide. Accordingly, global organizations provide the best forums at which to craft international agreements on GHG mitigation, although specific solutions will depend on national actions within local economic and environmental contexts.

Adaptation is a more local enterprise of infrastructure strengthening and behavior modification to resist environmental degradation and increase resilience to disaster. Because environmental

²⁷ APCC "News and Events Exploring Climate Application and Enhancing Knowledge Sharing with the Developing World" (March 27, 2012), web page at: www.apcc21.org/eng/notice/nae/japcc0501_viw.jsp?news_seq=26.

phenomena are geographic, not political, regional cooperation of states with shared geographies can increase the efficiency and effectiveness of adaptation activities, through collaborative knowledge creation and dissemination, and the sharing of best practices. Examples include Asian river basins and coastal plains, nations on the Arctic rim, and low-lying island nations.

Because climate change is both an emerging and a complex phenomenon, knowledge creation and dissemination is needed at all levels. In her address to the APEC Climate Symposium, Bierbaum emphasized the need for closer links among research, policy, and stakeholder communities to support adaptive planning and management “in all sectors and regions,” and to prioritize policy-relevant research.²⁸ As the leading community of stakeholders in the Asia-Pacific region, APEC can bring unparalleled institutional strength and resources to support adaptive planning and management to meet the economic and environmental security threats of global change.

Environmentalism Stewart Brand has said, “Dealing with climate change “...involves a level of global cooperation that has never happened and the mechanisms for that are not in sight.”²⁹ Regional response to climate change in the Asia-Pacific region to date is consistent with Brand’s observation. Bierbaum’s analysis helps point the way toward regional development of mechanisms for regional collaboration to address the problems of global change.

APCC has a proven record of regionally based, scientific research, and a history of APEC funding. Although its origins are in the atmospheric research community, APCC has a stated intent to expand its activities into the socioeconomic sector. APCC has a history of relationships with APN. It received APN funding for a training course on climate modeling in 2008. It hosted the meeting

²⁸ Bierbaum (2011), see especially slide 3.

²⁹ Joel Achenbach, “Spaceship Earth: A new view of environmentalism,” *Washington Post* (January 2, 2012), available at: http://www.washingtonpost.com/national/health-science/spaceship-earth-a-new-view-of-environmentalism/2011/12/29gIQAZhHWP_story.html.

of the APN Secretariat in 2010. Moreover, APN has a successful, though modest, program of support to adaptive planning and management that engages stakeholders and researchers across the region. Multilateral in operation, it is largely bilateral in funding, though it has been seeking to expand its funding base.

Combining the insights of Brand and Bierbaum, what appears to be lacking in the Asia-Pacific region is a mechanism for managing and closing the links among research, policy, and stakeholder communities to support adaptive planning to meet the threat of climate-related global change. Here lies an opportunity for APEC. A new management mechanism would likely require the spin-off of a new Working Group on Climate-Related Global Change. The group would analyze the complex relationships between environmental and economic security in the Asia-Pacific region, in light of current knowledge at all levels, including the IPCC assessment reports. It would provide increased funding to APN and work to coordinate the efforts of APN and APCC. It would analyze requirements and opportunities for collaboration to meet the problems of mitigation and adaptation at the regional level, and set research priorities to meet those needs, using the power of the budget to do so. It would promote the dissemination of new knowledge to government, industry, and environmental stakeholders using both established and new channels for outreach.

More than any other regional organization, APEC has the foundational mechanisms, experience, and ability to find political consensus among its members and mobilize them to deal with the economic and environmental security challenges of climate-related global change, and achieve a higher level of regional cooperation.

Chapter Three

Sergey Sevastianov

Russia and Northeast Asia Energy Security

Executive Summary

- Due to a high growth in its energy demand, China will remain a key factor in defining Northeast Asia (NEA) energy security, while Russia, as the only important regional supplier of energy, is capable of playing a critical role in it. Taking into account the composition and quantity of Russia's proven natural resources, the NEA countries could import substantial amounts of Russian oil, especially gas, in both pipeline and liquefied natural-gas (LNG) forms.
- To speed up the realization of international projects in NEA, and to contribute to the development of the Russian Far East (RFE), during the past several years, the Russian government has made large-scale financial investments into the extraction of natural resources and transportation in the RFE, and has announced immediate plans to construct several new oil- and gas-processing plants in the Far Eastern part of the country.
- An important feature of the NEA energy market is an increased role of state-owned national companies, which are investing huge amounts of money into buying and exploiting new oil and gas deposits abroad. Thus, regional energy-security problems often become not only economic, but also hot political issues.
- Due to its financial influence in Russia and several geopolitical factors, Beijing has become Russia's main partner in the NEA energy cooperation. At the same time, Moscow is interested in diversifying its energy exports and investments, as well as in the acquisition of new processing technologies. The APEC 2012 summit meeting in Vladivostok provides a unique chance to advance toward those objectives.

Introduction

In the twenty-first century, the center of world economic and political activities is moving to the Asia-Pacific region, with Northeast Asia (NEA) playing a critical role. In the NEA energy sphere, there are four main actors, China, Russia, Japan, and the Republic of Korea (ROK). Thus far, two NEA countries are staying on the periphery of the regional-energy cooperation: Mongolia (under pressure from Beijing, Moscow agreed to bypass Mongolian territory while constructing oil and gas pipelines from Russia to China) and the Democratic People's Republic of Korea (DPRK). However, the role of the latter is of paramount importance, because unsolved security problems on the Korean Peninsula are blocking realization of several key energy- and infrastructure-development projects in NEA. The NEA energy equation also includes external actors, such as the United States. Recently, India, which is interested in gaining access to regional energy resources, joined this group.

Energy security, the stable, cost-effective, and sustainable supply of energy, is a precondition for the continued economic growth of NEA that dramatically exceeds other world regions. On the other hand, the lack of energy resources will constrain the economic and social development of NEA. In addition, energy insecurity can lead to vicious competition for resources among energy-importing countries and may further increase political tension and hold back economic cooperation in the region.¹

Sizable amounts of natural resources are located in Eastern Siberia and the RFE. Thus, Moscow is able to make a critical input into NEA energy security. Natural gas is particularly attractive, because, in comparison with coal and oil, its use causes much less environmental damage. Besides, the coordinated development of natural resources would benefit the economic development of those remote Russian regions.

¹ Baseline Study for Energy Cooperation in Northeast Asia, (Seoul: Energy Economic Institute, 2007).

Main Principles of Russia's New Energy Policy

Global gas usage is expected to grow three times as fast as that of oil. While oil will remain the dominant fuel even in 2030, gas will become the world's second-largest source of energy (32 and 26 percent of the global needs, respectively).² Exxon analysts predict that, driven by the rapid economic growth of developing nations, especially in the Asia-Pacific region, the world will consume about 35 percent more energy in 2030 than in 2005.

During his second presidential term (2004–2008), Vladimir Putin introduced the New Energy Policy (NEP), which is based on the following principles: diversification of the energy-supply market, maintenance of state control over strategic decisions on oil and gas exploration and transit routes, conclusion of long-term contracts with foreign companies to develop Russia's natural resources, and regulation of foreign access to them. According to the NEP, Russia would only agree to invest in energy infrastructure projects if consumer states sign twenty- to thirty-year contracts.³ Russia plans to diversify the energy-supply market by increasing exports of natural resources to Asia. In July 2006, Putin made a commitment to increase the Asian share of Russian energy exports in fifteen years from the current 3 to 30 percent. This means Russia would sell to Asia at least 60 million tons of oil and 65 billion cubic meters of gas per year.⁴

² "Exxon Predicts Gas Use Will Surpass Coal's," *The Wall Street Journal* (January 27, 2011).

³ Sergei Sevastianov, *The More Assertive and Pragmatic New Energy Policy in Putin's Russia: Security Implications for Northeast Asia, East Asia*, (2008), No. 25, 35–55.

⁴ Proceedings of President Putin's third meeting with international discussion club Valdai members, (Moscow: 9 September 2006), President of Russia Official Web Portal site, English: <http://www.kremlin.ru>.

Energy Security and Energy Market in Northeast Asia

The combined influence of several negative factors and trends threatens Northeast Asian energy security as follows:

- Rapid growth in demand (particularly in China, where, by 2020, oil consumption is projected to increase more than twofold and gas consumption more than fourfold);
- High dependence on Middle East oil (Japan depends on it for 88 percent of its imports, the ROK, 82 percent, and China, 45 percent);
- Environmental vulnerability: high dependence on coal (China, 70 percent, Mongolia, 78 percent) and oil (Japan, 47 percent, ROK, 46 percent).⁵

Nowadays, state-owned national companies are undermining the dominance in NEA of such giant private companies as Exxon Mobil, BP, Total, and Royal Dutch Shell. China, India, Japan, the ROK, and Russia are subsidizing the activities of state-owned companies that are investing huge amounts of money into buying and exploiting new oil and gas deposits abroad. Beijing is the main driving force in the realization of such strategies. During the past several years, three leading Chinese state companies (CNPC, Sinopec, и CNOOC) made huge financial investments, and signed numerous, long-term contracts in all world regions (about 200 projects in fifty countries) aimed at importing oil and gas by borrowing money from Chinese state banks. Japan is 100 percent dependent on imports of oil, gas, and coal, and to secure foreign delivery of natural resources, this country relies on large state companies. On the international energy market, they are competing with Chinese state companies and, recently, the latter have often been the winners while bidding for contracts against Japanese or Korean companies.. The NEA energy-security situation is also aggravated by the territorial dispute between China and Japan over the Senkaku and Diaoyu islands in the East China Sea.

⁵ Baseline Study for Energy Cooperation in Northeast Asia (2007), (Seoul: Korea Energy Economic Institute).

The recent events at the Fukushima nuclear-power station have dampened enthusiasm for using nuclear-power energy in Japan and several other countries. Liquefied natural gas (LNG) has become much more affordable in price, and, nowadays, it represents the most promising substitute to compensate for a decreasing share of nuclear energy in the Japanese energy balance. The Korea National Oil Company (KNOC) and Korean Gas Company (KOGAS) are the two largest ROK state companies that are buying rights to extract and deliver oil and gas all over the world. However, in comparison with Chinese state companies, they are not as competitive, because, first, they have less state money, and, second, while realizing these projects should secure their financial profit, that is not always the case with Chinese companies, which are mostly oriented to maximizing access to natural resources. There are no state oil and gas companies in the United States, and Washington considers Beijing's energy policy a threat to free access to natural resources by other importers. However, it is important to clarify a new trend: Beginning in 2006, the United States has drastically increased its gas-extraction quantity due to the development of shale gas deposits. As a result, the United States has decreased its gas imports. There is a possibility that in the near future it will be exporting LNG, with part of these supplies going to Asia.

Russia's Activities and Vision of Energy Policy in Northeast Asia

In 2007, Putin approved a proposal granting the two primarily state-owned companies (Gazprom and Rosneft) exclusive rights to develop oil- and gas-extraction projects on the Russian continental shelf. This decision effectively blocks foreign companies, as well as Russian private companies, from getting a major share in these projects, and, in the future, the only option for them would be to seek an invitation from Gazprom or Rosneft for joint development of oil and gas shelf deposits. The RFE is a critical area for Gazprom's expanded investment activities. The first gas exports from the RFE began in 2009 when Gazprom started to sell LNG to Japan and Korea from the Sakhalin-2

project. Overall gas extraction at Sakhalin in 2011 reached 25.5 billion cubic meters: Sakhalin-1 contributed 9.1 billion cubic meters, and Sakhalin-2, 15.4 billion cubic meters. In September 2011, Gazprom completed the construction of the first part of the gas pipeline “Sakhalin – Khabarovsk – Vladivostok,” with an annual capacity to deliver 6 billion cubic meters of gas (at the final construction stage this pipeline capacity will reach 30 billion cubic meters). This will make it possible to achieve Gazprom’s goal of making gas available to the residents and industries of the RFE as well as NEA countries.

Gazprom chose to rely on gas from the Sakhalin-3 project as a main source of supply for domestic and foreign customers in the near future. This project consists of four gas and oil fields producing more than 700 million tons of oil and 1.3 billion cubic meters of gas. Gazprom’s selection of Sakhalin-3 as its principal source of gas indicates the priority it places on the Sakhalin projects, while developing the gas from the Kovykta field in Eastern Siberia appears to be a more distant goal.

Current prospects for large-scale foreign investments in Eastern Siberia and the RFE differ country by country. The only example of substantial American investments is the Sakhalin-1 venture. However, Exxon Neftegas clashed with the Russian side over cost overruns for the project and the right to determine the primary customers for the resources produced. In February 2012, Exxon offered Gazprom a gas component of the Sakhalin-1 project on “certain conditions” that are, so far, undisclosed.⁶ Although the two Japanese companies had to sell part of their shares in the Sakhalin-2 project, Tokyo is still interested in Russian resources. Japan’s Osaka Gas signed a contract with Sakhalin-2 operator Sakhalin Energy to buy annually 200,000 tons of liquefied natural gas produced at a plant in southern Sakhalin and then shipped to Osaka. The Japanese contract will account for 98 percent of the LNG plant’s productive capacity and, according to the contract terms, Sakhalin Energy will provide Japan

⁶ “Exxon Neftegas predlagaet peredat Gazpromu gas s Sakhalin-1”, *Vesti economica* (08 February 2012). URL: <http://lenta.ru/news/2012/02/08/exxon/>.

with this amount of LNG for twenty-three years. Due to the lack of non-contracted LNG resources, Russia could not immediately help Japan to compensate for the deficit of energy that occurred after the Fukushima incident. Nevertheless, Japanese companies reached a preliminary agreement with Gazprom to construct a new LNG-producing plant in Vladivostok aimed at selling LNG mostly to Japan and, in early 2012, presented this plant-construction proposal to Gazprom for approval.⁷ Since 2010, South Korea has been importing oil from Eastern Siberia through the new Russian oil port, Koz'mino. Furthermore, the Korea National Oil Company is exploring for oil off the Kamchatka Peninsula and planning to start oil extraction in 2012.

In June 2009, the number one LNG importer in the world, KOGAS, established a 100 percent subsidiary, KOGAS Vostok, to take part in gas businesses and seek potential projects in the RFE. This company is interested in increasing its annual Russian LNG imports from the current 1.5 million tons to 7.5 million tons in 2017. These projected numbers include gas that should be produced at the new LNG plant to be constructed in Vladivostok in the next several years.

In August 2011, then North Korean leader Kim Jong-il visited Russia and met with President Dmitry Medvedev. The two leaders agreed to develop a plan of Russia-DPRK cooperation in arranging initial annual transit of about 10 billion cubic meters of Russian gas to the ROK through the North Korean territory. It should become a trilateral project, with the participation of the Russian Federation, ROK, and DPRK, aimed at construction of a gas pipeline from Russia to ROK (its overall length would be more than 1100 kilometers, while 700 kilometers would pass through the DPRK territory). Thus far, it is not clear whether this project will be implemented, due to political, technical, and other obstacles. Seoul considers it unsustainable unless the bilateral ties between DPRK and ROK are im-

⁷ Rossiya i Yaponiya planiruyut postroit zavod spg vo Vladivostoke, Forbes.Ru, (Moscow, January 8, 2012), URL: <http://www.forbes.ru/news/78214>.

proved. KOGAS has an alternative way to gain access to the Russian gas by taking part in the construction of a new LNG plant in the Russian Far East. The United States does not seem to be happy with the way Pyongyang wants to get compensation for transit through the DPRK territory. Not having a natural-gas distribution system, Pyongyang is interested in getting transit payments in cash. However, there is a risk that Pyongyang may use the money to further develop nuclear armaments. The recent death of Kim Jong-il added uncertainty to this project.⁸ The active exploitation of the Chinese energy market is a key condition for Moscow to achieve its energy-strategy aims. In 2004, Russia proposed to build a new, complex gas-transportation system to deliver gas to China through two (western and eastern) pipelines. The western pipeline would run from the Altai territory in Western Siberia to the Xinjiang Uighur Autonomous Region in China, supplying up to 30 billion cubic meters of gas annually. The eastern pipeline (projected annual capacity up to 40 billion cubic meters) would run from Eastern Siberia and Sakhalin Island to Northeast China and Vladivostok, and then possibly to the Korean Peninsula. According to Gazprom, the natural-gas-resource basis for the western pipeline is fully available (it is the Western Siberia deposits). Moscow and Beijing came to mutual consent on the main aspects of the long-term contract to deliver Russian pipeline gas to China. However, as this chapter was being written (March 2012), it was still not signed, due to remaining disagreements on gas delivery price.

Evaluation of Russia's Input into NEA Energy Security

To evaluate Russia's future input into NEA energy security, we should analyze the RF government's latest financial commitments and plans in oil and gas extraction and export. In October 2010, Prime Minister Putin attended two important meetings devoted to the discussion of plans to develop Russian oil and

⁸ Sergey Sevastianov, *The Role of New Russian Infrastructure Development Projects in Supporting Energy Security of Northeast Asia*, Oikumena, 2012, vol. 1, 48–60.

natural gas industries. He stated that, during the next ten years, Russia would maintain annual oil output at its current level of 500 million tons. This means that Moscow has no plans to increase extraction of oil, because oil reserves in Russia are already worked out by 50 percent, and there are no new deposits around to which there is easy access.

At another meeting, Putin declared that, in the foreseeable future, there would be no viable alternative to natural gas as a main source of energy. Thus, during the next twenty years, Russia would increase annual extraction output from 650 billion cubic meters of gas (extracted in 2010) to 1 trillion cubic meters (about half of this huge amount should be exported). To achieve this strategic aim, new gas-extraction areas would be formed on the Yamal Peninsula, in Eastern Siberia, and on the continental shelf, and more than 25,000 kilometers of pipelines would be constructed. Besides, the share of private gas producers in Russia should increase from the current 20 percent to 30 percent. Finally, Russian natural gas is practically an inexhaustible source of energy (total gas-reserve forecast in Russia is about 165 trillion cubic meters).

Conclusions and Recommendations

The author believes that, due to a high growth in its energy demand, China will remain a key factor in defining NEA energy security. By 2030, Russian annual deliveries of oil to China would reach 30 million tons to 35 million tons. In 2011, Gazprom extracted 520 billion cubic meters of gas (overall Russian gas output reached 671 billion cubic meters). For 2014, the extraction plan for Gazprom is 570 billion cubic meters of gas, and, for the whole Russian gas industry, 741 billion cubic meters. This means that Russian gas export quantities to NEA will keep growing.

The Russia-China energy partnership has developed a firm inter-governmental and business foundation, and the allure of Chinese proposals to develop bilateral cooperation has become irresistible for Moscow. Interestingly enough, Beijing accepted one of the principal features of the Russian NEP. During the past several years, China either signed or achieved principal agreements on contracts with Russia on oil, coal, and gas, using the same model: allocating

substantial financial loans to guarantee long-term supply of Russian energy resources. However, to avoid placing Beijing in the position of a buyer's monopoly in price negotiations, Moscow should find ways to deliver a substantial part of its energy resources to Japan, the ROK, the United States, and other countries. In this context, a multilateral approach to energy cooperation in NEA has considerable advantages for Moscow. That was why Russia became one of the founding members of the Intergovernmental Collaborative Mechanism on Energy Cooperation in NEA. As far as the wider Asia-Pacific is concerned, Russia is an active participant in the APEC Energy Working Group (its Tenth Energy Ministerial annual meeting took place in St. Petersburg in June 2012), and is preparing to discuss practical aspects of the regional energy cooperation at the APEC summit in Vladivostok in September 2012.

To increase Gazprom's abilities to realize international projects in NEA, the company should establish closer ties with foreign companies to share production capabilities, financial burdens, and new technologies. To make the eastern gas pipeline a sustainable project, Gazprom plans to construct a new gas-transportation system from the Yakutsk-area deposits all the way to Khabarovsk, and to connect it there with the Sakhalin – Khabarovsk – Vladivostok pipeline. Korean and Japanese companies are bidding to participate in the LNG plant construction in the Primorsky region. To implement these projects, the cash-stripped Gazprom would have to borrow money from the Russian government or international financial markets. However, to speed up the realization of these significant projects, Gazprom has a better alternative: include foreign companies not only as gas consumers, but as direct investors. Such an approach, especially in a multilateral format, would be very helpful in developing trust among regional countries and facilitating NEA energy security.

Chapter Four

William Wieninger

Splitting the Atom and Enhanced Cooperation in Asia: Considering Nuclear Energy in the APEC Region

Executive Summary

- The APEC region is poised for a dramatic rise in energy demand, and governments are planning to meet some of it with significant growth in nuclear-power generation.
- Nuclear power poses significant challenges such as safety, security, and weapons-proliferation risks, all of which make international cooperation both more important and, simultaneously, more logical.
- A model for cooperation on safe reactor operation already exists in Europe and should be considered for the APEC region, while opportunities exist to build international co-operation for the nuclear-fuel cycle.

Introduction

The APEC 2012 Summit in Vladivostok occurs at a time of increasing concern about energy security across the Asia-Pacific. Problems related to the reliability of energy supply as well as increasing concerns about pollution from traditional fossil fuels compel us to consider alternative approaches to ensuring the energy supply needed to power the region's economic growth. This chapter will discuss the positive and negative roles that nuclear energy can play in this arena. The discussion will cover the status of nuclear energy today, expected near-term developments, nuclear-weapon risks, and opportunities for cooperation.

Nuclear energy – the energy released when atoms are split through fission – has been held in a certain amount of awe since its discovery in the early 20th century, and it has since been used

as both a terrible weapon and a relatively clean source of energy. Because nuclear weapons and nuclear reactors use the same source of energy, many see a phantom connection between the two. They think that the spread of nuclear technology for energy purposes will increase the proliferation of nuclear weapons. However, history shows this is not correct. When the International Atomic Energy Agency (IAEA) was set up in the wake of the Eisenhower Administration's "Atoms for Peace" program in 1957, three countries had nuclear weapons, but none yet had a functioning nuclear-power industry. Fifty-four years later, there are six more states with nuclear weapons, but 30 countries operating nuclear-power reactors¹ and 56 operating nuclear-research reactors.²

State motivations for seeking nuclear energy and nuclear weapons are different. States almost universally have sought nuclear weapons primarily for security reasons. Recent events confirm this. In cases where the security situation has improved, nuclear-weapons numbers have declined, as has happened between the U.S. and Russia since 1990. Whereas in cases where the security situation has remained poor or gotten worse, nuclear weapons numbers have grown, such as in South Asia. Meanwhile, growth in nuclear energy has been a result of increased energy demands overall, and for clean energy in particular. With Asia's projected economic growth over the coming years, there will be a dramatic increase in demand for electrical energy. Given concerns about carbon emissions as well as the high level of air pollution already extant, nuclear energy will likely play a significant part in the greater demand for power. Currently, Asia (excluding the U.S. and Russia) operates 116 power reactors, or 26 percent of the world's total, while having almost 60 percent of the world's population. The Energy Information Agency's 2011 Outlook predicts that this region's growth in nuclear energy will be higher than any other region, rising by 9.2 percent annually through

¹ International Atomic Energy Agency, Power Reactor Information System, <http://pris.iaea.org/public/>.

² World Research Reactors, World Nuclear Association, <http://www.world-nuclear.org/info/inf61.html>.

2035.³ That won't happen automatically, however, as there are many factors which could significantly alter this projection. However, it is worth noting that the 9.2 percent predicted growth is higher now than it was before the Fukushima accident. Thus, this paper will place nuclear power in a historical and political context and then assess the role of nuclear power in Asia's future.

Nuclear Energy

Historically, nuclear energy has seen a series of up and down cycles related to incidents at power plants as well as global geopolitical shifts, a pattern that is likely to continue to repeat itself. The original up cycle began in the 1950s, when nuclear energy was seen as a primary source of energy for developed and developing economies, promising electricity "that would be too cheap to meter." Nuclear power always had to overcome fear of the impact of an accident, but designers promoted newer, safer reactor designs and global nuclear power production steadily grew through the 1970s. It should be noted, as well, that strong government support was required in all cases, as uncertainties surrounding spent-fuel disposition, potentially unlimited liability in the case of an accident, and cheaper alternatives in conventional power generation (at least as costs have been traditionally measured) meant that the private sector could not make the investment on its own.

The cycle shifted to the negative with the notorious incident at the Three Mile Island power plant in 1979, which essentially halted U.S. nuclear-energy expansion, and hindered global growth. The subsequent, and much more devastating, fire and explosion at the Chernobyl power plant in 1986 released enormous amounts of radioactive material (an estimated 2 million curies) and virtually ended public interest in expanding nuclear power worldwide for decades.

³ "Int'l Energy Outlook 2011," Energy Information Agency, <http://www.eia.gov/forecasts/ieo/electricity.cfm>.

However, a growing awareness of the negative consequences of carbon emissions from burning fossil fuels led to a resurgence of interest in nuclear power beginning in the early 2000s. In 2004, James Lovelock, one of the iconic figures in the global green movement, came out publicly in favor of expanding nuclear power for electricity generation in order to help prevent catastrophic climate change resulting from carbon emissions. Although many in the green movement remain opposed to nuclear power, renewable-energy technology is simply not yet advanced enough (and may never be) to provide large amounts of baseline power generation, something only fossil fuels or nuclear can do at this time. Thus, just prior to the 9.0 earthquake and subsequent tsunami in Japan that led to the catastrophe at the Fukushima nuclear-power plant, the IAEA reported 60 nuclear reactors under construction, 49 of them in Asia.

China is, without question, the most ambitious and furthest along, with 23 reactors under construction. Currently, nuclear power provides a mere 2.2 percent of its electricity, but that is slated to grow to 5 percent by 2020. Looking further out, expanding nuclear power's share of electricity beyond 5 percent is clearly a high priority, as indicated by reports that China's 12th five-year plan (2011–2015) calls for an investment of \$121B for a further 10 “mega” reactors.⁴ In the immediate aftermath of Fukushima, China announced suspension of construction pending a review of all nuclear-power activities, but it is highly unlikely it will scale back its ambitious construction plans.

Russia has the second-most ambitious plan, with 11 reactors in the works (unless otherwise noted, data below on reactor numbers and construction are from the IAEA's NUCLEUS data center). Given Russia's consistent support for nuclear power in spite of the Chernobyl accident, as well as the simple truth that the nuclear field is one of the few areas in which Russian technology is globally

⁴“China to Build Ten More Mega Reactors,” *The Economic Times*, 26 January 2011, <http://economictimes.indiatimes.com/articleshow/7365901.cms?prtpage=1>.

competitive, it seems unlikely the Fukushima accident will alter the Russian program significantly. Russia is also working on advanced reactor designs, as well as a floating nuclear-power reactor for the commercial market.

India, with 20 nuclear-power plants currently supplying 3 percent of the nation's electricity, looks to significantly augment its nuclear-power capability, with one report indicating it could import up to 40 reactors by 2020, something that was impossible from 1974 to 2008, when India was excluded from the global nuclear-supply chain. The 2008 reintegration of India was the result of an agreement between the U.S. and India on nuclear cooperation, which eventually lead to the July 2008 agreement between India and the IAEA, bringing two-thirds of India's nuclear infrastructure under the international inspection regime and ending 34 years of nuclear-trade isolation. Fukushima will undoubtedly raise a lot of questions in India with regard to the wisdom of nuclear power, but, given the tremendous energy needs there, it seems likely it will build substantial numbers of new reactors. This is shown by the March 2012 renewal of work at the large reactor at Kudankulam.⁵

Finally, South Korea has 21 nuclear-power plants, which generate 31 percent of its electricity, and has five reactors under construction. Although analysts do not expect Fukushima to alter Korea's path long-term, opposition candidates are playing on nuclear fears in the current 2012 political campaign. It seems quite plausible that Korea will scale back the expansion of nuclear power in the short term. However, given the nation's limited resources, most analysts continue to see nuclear energy as an essential for energy security in South Korea.

In addition to the above states that have power reactors, there are several Asian states looking to start nuclear-power programs. Vietnam is farthest along, having signed individual agreements with Japan and Russia to build several reactors and with the U.S. to

⁵ "Russians Resume Work at Indian Nuclear Project," *RIA Novosti*, 23 March 2012, <http://en.rian.ru/world/20120323/172357225.html>.

provide a framework under which commercial interests can build power reactors and other facilities in Vietnam. To date, no explicit deals have been finalized for construction to begin, but all indicators suggest Vietnam will be the first ASEAN nation and the newest APEC member to operate nuclear reactors. Indonesia, Malaysia, the Philippines, and Singapore have also expressed interest in nuclear energy, but it is unclear how rapidly they will move in that direction. Overall, Asia is poised to continue a dramatic growth in the role and scale of nuclear energy in the region. This fits well with prior APEC announcements that have highlighted the need for a mix of power sources and new technologies.

Nuclear Weapons Trends

The situation with regard to nuclear weapons is mixed in the Asia-Pacific. The U.S. and Russia continue to draw down and dismantle their huge legacy stockpiles from the Cold War, but China, India, Pakistan, and North Korea are growing their arsenals, albeit at modest rates compared to the scale pursued in the Cold War between the U.S. and USSR. Geopolitical factors continue to drive this trend and, unfortunately, there is little hope for significant shifts in the near future. Indeed, the rise of ballistic missile-defense capabilities globally may exacerbate the problem and pose the risk of driving China and Russia to pursue large arsenals.

On the Korean Peninsula, expert reports indicate that the North Korean nuclear-weapons facility at Yongbyon likely produced 40 kg to 50 kg of weapons-grade plutonium (WGPu), as of April 2009, and may have been able to produce as much as 17 kg more through March 2011. Diplomatic efforts to roll back the nuclear program have ultimately proven unsuccessful to date and few analysts expect that to change anytime soon. There were some bright moments, such as 27 June 2008, when the cooling tower for its plutonium-production reactor was destroyed. However, diplomatic efforts broke down in April 2009 and North Korea expelled IAEA inspectors and restarted efforts to produce fissile material at

Yongbyon. Then, in November 2010, it revealed a new uranium-enrichment facility. At the same time, tensions between North and South Korea have remained high, with the March 2010 sinking of the South Korean naval ship *Cheonan* and November 2010 shelling of Yeonpyoeng Island being the low points.

The good news is that North Korea's program, including two weapons tests, has not yet sparked South Korea, Japan, or Taiwan to produce nuclear weapons, as many had feared. The bad news is that, given their advanced nuclear-energy capabilities, should either of the three decide to acquire nuclear weapons, there is no doubt they would be able to do so in a relatively short period of time. This, combined with the U.S. drawdown of its own nuclear forces, has given great impetus to U.S. efforts to reassure its allies of its extended-deterrent commitment.

Perhaps more ominously than North Korea, Pakistan is expanding its weapons complex at Khushab and continues to oppose negotiations on the Fissile Material Cutoff Treaty. Although there is no doubt that the Pakistani government is doing its utmost to maintain the surety of its nuclear material, given the nature of Pakistani society today, no objective observer can ignore the very real risk of terrorists gaining access to some material through an insider. As the amount of material continues to increase, this threat increases. Unfortunately, it is a negatively reinforcing, complex causal loop, whereby Pakistan's concerns about its national security drive it to build up its nuclear arsenal, which, in turn, increases international concerns about the potential for war or loss of control, thus increasing pressure on Pakistan and increasing its security concerns. The operation by U.S. commandos to kill Osama bin Laden in Abbottabad, Pakistan, likely increased these fears and added to the cycle.

While there are no strong indicators that India intends to significantly increase its fissile-material stockpile, the 2008 agreement with the Nuclear Suppliers Group and IAEA noted above allows India to purchase uranium fuel again and it has purchased hundreds of tons since 2008. This allows India the flexibility to use

its limited domestic supplies for its weapons program should it choose to do so. Fortunately, domestic and international dynamics do not seem to be driving India to augment its nuclear-weapons arsenal at this time. How long that will remain the case should Pakistan continue its buildup is uncertain.

China has reportedly not produced new fissile material since the late 1980s, and currently has approximately 12 tons to 20 tons of HEU and 1.3 tons to 2.3 tons of WGPu (enough for 480 to 800 and 350 to 450 weapons, respectively).⁶ This is far more potential warheads than the various current estimates of the actual number of weapons that various sources place at 240 to 400 weapons. Chinese nuclear policy continues to suggest that they will not grow a large arsenal, although they are increasing the number of nuclear missiles and adding submarine-launched ballistic missiles to their inventory, perhaps in response to advances in U.S. Ballistic Missile Defense programs and conventional precision-strike capabilities. In this context, it is too early to tell if or when China will join a multilateral treaty on nuclear-arms reductions that may follow on from the recently concluded New START Treaty. China has previously stated that it is uninterested in joining negotiations until U.S. and Russian weapons numbers are much closer to China's, while Russia has stated it is unwilling to conclude another reduction with the United States unless China is involved. Given that U.S. and Russian arsenals remain several times larger in strategic weapons alone, innovative negotiations will be required to involve the Chinese in whatever arms-reduction treaty supersedes New START.

In summary, while nuclear-weapons trends for the superpowers have been quite positive overall in the last decade, the foreseeable future is unlikely to see a continuation of that trend. With regard to smaller nuclear-weapons states, trends have been static or modestly negative and are likely to continue on that path.

⁶ "Global Fissile Material Report 2010," International Panel on Fissile Material, www.fissilematerials.org, pp. 10 and 18.

Areas for Cooperation

Fortunately, there are more areas for cooperation than conflict in terms of security and nuclear power. One obvious area for enhanced cooperation is in safe reactor design, construction, and operation. A good example is the ongoing cooperation between Westinghouse, Southern Power, and China on construction and eventual operation of AP1000 reactors in the U.S. and China. Excellent information sharing is reported between the Southern Nuclear and Haiyang nuclear-power companies. One benefit is that, as Chinese plants are several years further along in construction, they will allow U.S. plant personnel to observe reactor operation and refueling to apply lessons learned when the U.S. plants are completed.

Another aspect of cooperation would be a regional nuclear society to foster information exchanges and expert knowledge. Europe has such an agency, called the European Nuclear Society, with 27 national members as well as many corporate members. Scientific exchanges between technical experts have proven beneficial in promoting better international relations in the past in other arenas, and this could be a powerful tool for enhanced regional cooperation. Perhaps it is time for there to be an APEC Expert Working Group on Nuclear Power Surety under the Energy Working Group, which would complement the existing five other Expert Working Groups.

A third area for cooperation would be in the nuclear-fuel cycle. Russia has established, and the IAEA is working to establish, an international fuel repository to ensure fuel access for states that operate reactors but don't have enrichment capabilities. The idea is to limit the number of states that pursue uranium-enrichment facilities, arguably the most dangerous part of the fuel cycle for proliferation. The reason is that enrichment facilities for producing low enriched uranium (LEU) for reactor fuel can also easily be used to produce highly enriched uranium (HEU) for use in weapons.

India was the victim of a cutoff in fuel supplies due to U.S. opposition to its nuclear-weapons program, which was revealed with

a nuclear test in 1974. As more states build reactors, fears of losing access to supplies could drive more states to pursue enrichment technology. Currently, in Asia, only the U.S., Russia, China, India, Pakistan, and Japan have the capability to enrich uranium. As Vietnam, Malaysia, Indonesia, and others look at nuclear energy, they will have to consider their vulnerability to supply interruption. Thus, cooperation to ensure fuel supplies could be a powerful tool to limit proliferation of dual-use fuel facilities as well as enhance regional relations and economic interdependence.

Moreover, one can imagine combining cooperation on the front end of the nuclear-fuel cycle (fresh fuel supplies) with cooperation on the back end of the fuel cycle (spent-fuel storage). For example, Mongolia has large supplies of uranium, vast unpopulated areas that could be used for storage, and little need for nuclear power due to its small population. Nearby, Japan has a high need for power, but limited uranium or space to store spent fuel (although, currently, Japan does have an indigenous uranium-enrichment plant). The same holds true for Korea, Taiwan, and a newcomer to nuclear power, Vietnam, none of whom have domestic enrichment capabilities. Russia and China have large and underutilized enrichment capacities. Thus, one can imagine a virtuous, cooperative agreement wherein Mongolia sends uranium in the form of yellowcake to Russia/China for enrichment and fabrication into fuel, which is then sent to power users like Korea and Vietnam, with the spent fuel returned to Mongolia/Russia for temporary storage. What would eventually happen to the spent fuel, whether it is reprocessed and reused or sent to an as-yet-to-be identified, permanent storage site, will have to be determined later.

Efforts to promote regional cooperation in these areas will require a lot of effort by all parties, and the path will not be an easy one. However, the demand for energy, especially carbon-neutral energy, coupled with the complexities and dangers of nuclear power, demand wise and determined political leadership to ensure successful cooperation, creating a win-win scenario for all involved. This is

reinforced by the final communiqué of the 2012 Nuclear Summit in Seoul, in which the participants stressed “the importance of regional and international cooperation,” in order to strengthen nuclear security while allowing states to develop and utilize nuclear power.

Conclusion

This chapter has examined nuclear energy and security in Asia. While there are some trends that give rise to optimism, such as the cooperation in innovative reactor design and construction, there are also a number of areas where there is greater nuclear insecurity than security. Speaking strictly of nuclear power, the tragedy at Fukushima clearly illustrates that nuclear power has risks and many will conclude from Fukushima (as well as Three Mile Island and Chernobyl in the past) that nuclear power is too dangerous. We must confront that emotional response with good analysis. The risks associated with nuclear power are real, and there will be future accidents at nuclear facilities. However, the negative externalities of burning ever more hydrocarbons to fuel the economy are likely even more dangerous than nuclear risks. This means that, rather than eschew nuclear energy, we need to carefully consider how best to implement nuclear energy. Ultimately, Asia is a huge and growing component of the global economy, and all economies run on energy. Asia can and should take advantage of the advances in nuclear physics and engineering to make nuclear energy, with its zero-pollution emissions a part of its energy mix. The 2012 APEC Summit provides an excellent forum within which to do so, while enhancing international cooperation more broadly.

Chapter Five

Jessica Ear and James Campbell

Regional Cooperation on Disaster Management and Health Security: APEC and Comprehensive Regional Strategy

Executive Summary

- Human security challenges arising from natural disasters, disease and inadequate food resources negatively impact economic development in the Asia-Pacific region, home to more than 50 percent of the world's population.
- To mitigate economic and human impacts of disasters, nations must commit greater resources to capacity development and enlist the cooperation of the whole of society.
- Multilateral regional organizations such as the Asia-Pacific Economic Cooperation (APEC), Association of South East Asian Nations (ASEAN) and Pacific Islands Forum (PIF) have significant roles to play in advancing disaster-management and health-security cooperation in the Asia-Pacific region.
- The challenge lies in integrating policy frameworks and mechanisms that have been developed independently by these organizations into a comprehensive, regional strategy to enhance the interoperability in a crisis risk reduction, mitigation, and response.

Introduction

Global security challenges will increasingly exacerbate economic devastation in future disasters. To mitigate economic and human impacts of natural disasters, nations must commit greater resources to capacity development and enlist the cooperation of the whole of society. Multilateral and regional organizations such as the Asia-Pacific Economic Cooperation (APEC), Association of South East Asian Nations (ASEAN), and Pacific Islands Forum (PIF) have significant roles to play in advancing disaster coopera-

tion in the Asia-Pacific region. However, the challenge lies in integrating policy frameworks and mechanisms that have been developed independently by these organizations into a comprehensive regional strategy, to enhance interoperability in disaster risk reduction, mitigation and response. This chapter assesses the current integration status of the APEC and ASEAN organizational disaster frameworks and highlights areas for further cooperation to achieve more optimized disaster-management capabilities and resource utilization among nations in the Asia-Pacific region. As good public health also underpins economic development, the chapter critically assesses challenges and opportunities for cooperation on human health security between APEC and regional organizations.

Disaster Management

The Asia-Pacific region experiences more than 70 percent of the world's natural disasters annually.¹ Research suggests that the intensity and frequency of disasters in the region will continue to result in greater human and economic damage. Trends such as global climate change and sea-level rise, poverty within a rapid urban development setting, integrated economies, and faster population growth will leave communities more exposed and vulnerable to disaster hazards. Greater exposure to disasters can profoundly delay or reverse a country's economic progress and growth, as demonstrated by the Tohoku earthquake, tsunami, and nuclear disaster, which resulted in more than 19,000 people dead or missing and cost Japan \$210 billion, or 4 percent of its gross domestic product.² Second only to Japan's loss, Hurricane Katrina cost the United States more than 1,800 lives and more than \$110 billion.³

¹ Continuity Central (2011), APEC Countries Agree on the Need to Promote Business Continuity, available online at: <http://www.continuitycentral.com/news05863.html>.

² "Natural disasters: Counting the Cost of Calamities," *The Economist* (March 14, 2012), available online at: <http://www.economist.com/node/21542755>.

³ B. Kurpis (2012), "Hurricane Katrina Relief," available online at: <http://www.hurricanekatrinarelief.com>.

Regional Cooperation on Disaster Management

Regardless of whether countries suffer economic or human costs, disasters will continue to require greater regional cooperation and demand more resources. A whole-of-society approach, involving comprehensive strategies, initiatives, and mechanisms developed within the frameworks of regional organizations, will prove an invaluable way for nations to collectively share information, knowledge, and resources. The APEC Emergency Preparedness Working Group (EPWG), first established as APEC's Task Force for Emergency Preparedness (TFEP) by APEC senior officials in 2005, brings together the largest annual gathering of heads of emergency management agencies in the region to help APEC's 21 member economies better prepare for and respond to disasters.⁴ Since then, the EPWG has been proactively coordinating activities among its members' states. Significantly, APEC developed the Strategy for Disaster Risk Reduction and Emergency Preparedness and Response in the Asia-Pacific Region 2009, a framework for APEC's current and future emergency preparedness activities, and reaffirmed commitments to support the United Nations International Strategy for Disaster Reduction (UNISDR) Hyogo Framework for Action guidelines to strengthen the international system for disaster risk reduction. APEC conducted a host of workshops, dialogues, study courses and initiatives to address public private partnerships and coordination. Additionally, the EPWG established fourteen principles for public private partnerships and disaster resilience.⁵

The EPWG's extensive disaster related activities undertaken thus far repeatedly stressed the importance of regional cooperation among its members and internal coordination with various APEC groups, task forces, and forums. The EPWG also partnered

⁴ APEC (2012), *Emergency Preparedness*, available online at: <http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-CooperationWorking-Groups/Emergency-Preparedness.aspx>.

⁵ Economic and Social Commission for Asia and the Pacific (2010), "Protecting Development Gains: Reducing Disaster Vulnerability and Building Resilience in Asia and the Pacific," *Asia-Pacific Disaster Report*, available online at: <http://www.scribd.com/doc/62388194/2010-Asia-Pacific-Disaster-Report-APDR-Protecting-Development-Gains>.

with the United Nations and other international and regional organizations such as ASEAN, PIF, and the South Asian Association for Regional Cooperation (SAARC) that are working to reduce disaster risk. This need for partnership was again emphasized in the 2011 APEC Seniors Disaster Management Officials Forum Outcomes Report. The report recommended that UNISDR's Private Sector Advisory Group (PSAG) consider enhanced regional cooperation and collaboration, and suggested that APEC, ASEAN and the ASEAN Regional Forum (ARF) be assessed for opportunities for greater integration of regional disaster management strategies and initiatives. One method suggested linking websites and institutionalizing information exchanges between the EPWG and the ARF International Meeting of Disaster Relief (ISM-DR). The report specifically highlighted to ministers and leaders the potential for synergy between APEC and the ARF in emergency response to maintain momentum on regional cooperation and obtain political direction for greater collaboration.

Much like APEC, ASEAN and ARF also sought to align their strategic visions and objectives with the UNISDR Hyogo Framework for Action in order to more effectively guide member states' national policies and programs to address disaster risk reduction. After the catastrophic Indian Ocean tsunami, ASEAN nations signed the ASEAN Agreement on Disaster Management and Emergency Response (AADMER) in July 2005 and ratified it into effect in 2009. Since then, ASEAN has put in place measures to implement many provisions of the agreement. Under the oversight of a specialized ASEAN body called the ASEAN Committee on Disaster Management (ACDM), standard operating procedures, training and capacity building, disaster information sharing and communication networks, and rapid-assessment teams have been set up or put into practice.⁶ AADMER also provides for the

⁶ Association of South East Asian Nations, "Regional Disaster Management Agreement Enters into Force," (December 24, 2009), available online at: <http://www.aseansec.org/24136.htm>.

establishment of an ASEAN Coordinating Centre for Humanitarian Assistance on disaster management (AHA Centre) to undertake operational coordination of activities under the agreement, with an official operation start date in June of 2012.⁷ Additionally, ASEAN annually works with the ARF nations to conduct annual table-top exercises and demonstrations to develop further interoperable disaster-response procedures.

Both APEC and ASEAN realize the need for more substantive action beyond regional expressions of cooperation. On June 11, 2009, a delegation headed by Ambassador Michael Tay, executive director of the APEC Secretariat, met with the secretary general of ASEAN, Surin Pitsuwan, and his staff to identify areas in which collaboration between APEC and ASEAN could generate genuine and practical benefits. In addition to the high-level meeting between Tay and Pitsuwan, staff from the two organizations also engaged to establish professional working relationships in specialty areas. Then again, in July 2011, APEC Ambassador Muhamed Noor, executive director of the APEC Secretariat, and Pitsuwan met in Jakarta to explore areas of mutual cooperation. Even with strong leadership and clear internal organizational intent, interorganizational linkages have proven harder and slower to build. The robust disaster-management programs and activities developed individually within APEC and ASEAN are slow to integrate regionally because both organizations lack the resources and full organizational capacity to implement integration effectively. Beyond the EPWG co-chair observing the ASEAN ARF Disaster Relief Exercise in March 2011, and subsequently suggesting a study on how APEC and ARF processes for disaster cooperation can be synergized, a more practical step is to make resources available for actual synergies. Member states of ASEAN and member economies of APEC must be expected to increase annual contributions to respective secretariats and working groups to increase staff and

⁷ N. Osman, "ASEAN Disaster Center Opens Its Doors in Jakarta," *Jakarta Globe* (January 28, 2011), available online at: <http://www.thejakartaglobe.com/indonesia/asean-disaster-center-opens-doors-in-jakarta/419449>.

professional capacity to do the required work to align APEC's and ASEAN's policies and programs. With added staff and resources, APEC and ASEAN can jointly explore and develop novel mechanisms for generating funding to invest in disaster prevention, create information- and skills-exchange capabilities, conduct relevant disaster-related research, and monitor programs between the two organizations. APEC, with its strength in private sector influence, can leverage powerful assets that ASEAN may not be in a position to exploit. APEC thereby can add real value by encouraging businesses to make greater investments in APEC's and ASEAN's institutional development, from which disaster management policies, frameworks, programs, and processes could be streamlined to increase convergence and avoid risks of duplication.

APEC and ASEAN could additionally improve cooperation by jointly employing disaster management personnel in key organizational positions. For example, it may be mutually beneficial for APEC and ASEAN to both fund positions at the ASEAN AHA center in Jakarta, with expectations to relay disaster information more effectively and facilitate communication between APEC and ASEAN secretariats in times of disasters. Similar positions could be established to coordinate annual joint exercises, participate in the ASEAN Emergency Response Assessment Teams (ERAT), and facilitate completion of ASEAN standard operating procedures and other ASEAN or APEC regional studies and programs currently in process, such as sourcing social media for more effective disaster management.

APEC and ASEAN do not lack the political will to improve regional cooperation. Both influential organizations must now create greater efficiencies by putting into action the recommendations to better synergize policies and frameworks and harmonize programs, mechanisms, and processes to avoid duplication of human resources and efforts. Increasing needed resources of both organizations to simultaneously build institutional and human capacities will go far toward improving cooperation and promoting

a comprehensive, whole-of-society disaster management approach in the Asia-Pacific region.

Health Security

Infectious diseases, natural and man-made disasters and environmental change all negatively impact the health of human populations worldwide, but they are especially challenging for vulnerable populations in many of the developing nations of the Asia-Pacific. These health security issues represent nontraditional regional and global security challenges.⁸

As the Asia-Pacific region is home to more than 50 percent of the world's population, true global health security depends to a large degree upon how successful this region is in developing and sustaining functional national and regional systems and capacities for managing emerging diseases and acute public-health events and emergencies. To this end, greater emphasis must be placed on preparedness-driven investments in health security.⁹ Although it is impossible to predict what, where, when and how new infectious diseases will emerge, we can be confident that emerging diseases and public health emergencies will continue to occur.¹⁰

Regional Cooperation on Health Security

In April 2002, health ministers of the ASEAN countries declared Healthy ASEAN 2020. A decade later, progress toward this vision has been uneven. Differences and inequality in economic and wealth

⁸ J. Campbell, "Human Health Threats and Implications for Regional Security in Southeast Asia, in: *Human Security: Securing East Asia's Future* (B.C.B. Teh, ed.), (Springer, New York, 2012).

⁹ A. Li, and T. Kasai, . "The Asia Pacific Strategy for Emerging Diseases – A Strategy to Regional Health Security," *Western Pacific Surveillance and Response* (2011), J., 2(1):1, available online at: [http://www2.wpro.who.int/wpsar/archives/Archive_2\(1\)2011_PE_Li_Kasai.htm](http://www2.wpro.who.int/wpsar/archives/Archive_2(1)2011_PE_Li_Kasai.htm).

¹⁰ D. Morens, G. Folkers, and A. Fauci, "The Challenge of Emerging Infectious Diseases," (2004), *Nature* 430:242-249, available online at: <http://www.nature.com/nature/journal/v430/n6996/full/nature02759.html>.

distribution undoubtedly have contributed to the increasing gap in health development among ASEAN countries; however, national disparities in progress are also due to variable adoption of technology, insufficient clean energy, corruption, poor governance, and unstable security. Because of their physical proximity and porous borders, ASEAN countries are challenged by transnational health threats from infectious diseases with pandemic potential, which frequently originate in Southeast Asia and constitute major public health threats requiring regional cooperation.

At several of its annual meetings, APEC has supported initiatives related to health, including the APEC Action Plan on SARS (Severe Adult Respiratory Syndrome), the Health Security Initiative (Bangkok 2003), and a leaders' agreement to confront pandemic health threats (Busan 2005). The motivation for both of these agreements was fundamentally economics, after the stunning recognition that the SARS epidemic in 2003 cost Hong Kong 6 percent of its GDP in three months. The SARS epidemic highlighted the need for more effective and coordinated response, particularly at the regional level, to any disease outbreaks that could threaten the region's economic health and well-being.

In addition to infectious disease threats, APEC has shown interest in other aspects of health security. In 2009, the APEC Business Advisory Council (ABAC) released a Strategic Framework for Food Security in APEC that was designed to achieve food security in the region. The framework recommends that APEC refocus on a comprehensive approach that tackles, in a holistic way, access to food, availability of food, supply reliability, trade liberalization, food safety, dietary health, environmental security, climate change, and sustainability. The ABAC proposal followed in 2010 at the APEC ministerial meeting in Yokohama, where an agreement was made on food security, again largely for economic reasons, to promote regional trade in food products.

The ASEAN region is also an epidemic area for HIV/AIDS. With about 3.6 million people living with AIDS, and 260,000 new

cases each year, disease transmission rates are the second highest in the world. Thus, the ASEAN region is considered highly vulnerable to HIV, with the concomitant devastating impact this major public health challenge has on productivity and economic development. ASEAN member countries have jointly negotiated with pharmaceutical companies to reduce the price of the necessary drugs and reagents used to treat persons living with AIDS. APEC could potentially serve as an effective forum for negotiating agreements on regional health challenges. An efficient model could involve negotiated assignments of responsibility for particular aspects of public health intervention such as surveillance, vaccination, information sharing, emergency preparedness, and public awareness to specific APEC economies, and the ASEAN secretariat could be tasked with improving institutional capacity of ASEAN to coordinate and manage effective implementation of the program.

Issues related to food security, such as diseases of obesity, constitute a major challenge throughout the Pacific Island nations. During April 2010, the Pacific Food Summit was held in Port Vila, Vanuatu, where a framework for cooperation was negotiated. Food security is seen as a critical issue on the development agenda due to the role of economic development in shaping the social determinants of health to enable access to sufficient, safe, and nutritious food at all times by all people. Food supply systems must deal with fluctuations and stress caused by markets and the environment. A key feature in this respect is building up and strengthening local capacity for food security. The emphasis on local capacity further requires respecting and valuing indigenous systems and cultures, and ensuring that traditional mechanisms and practices related to food production and consumption are respected.¹¹ In all of these considerations, the PIF should partner with APEC to shape culturally relevant health-security policies for the region.

¹¹ American Society of International Law (2010). Pacific Islands Forum, Report on International Organizations, p. 1, available online at: http://www.asil.org/rio/pacific_1010.html.

At the 2011 Pacific Island Forum meeting in Auckland, New Zealand, the forum leaders declared that noncommunicable diseases (NCD) have reached epidemic proportions in Pacific Island countries and territories, where the prevalence of obesity, diabetes, and hypertension ranks among the highest in the world.¹² The World Economic Forum ranked NCD as one of the top global threats to economic development. Within Oceania, the rapidly rising expenditure on NCD comprises well over 50 percent of the total health budget of many island nations. NCD has the potential to undermine labor supply, productivity, investment and education, four of the main factors driving the economic growth of many island countries. Healthcare costs divert funds from other priorities, such as mitigation of the effects of rising sea levels (an existential threat), education and development. Direct national and regional economic impacts are related to poor health, which reduces productivity and lowers GDP by diminishing the capacity to produce goods for export or to purchase goods from neighbors. APEC has an important opportunity to become substantively involved in addressing the NCD threat to regional economic development through the APEC Women and Economy Summit (WES), which fosters women's economic empowerment among the APEC economies. In broadening WES goals to include non-APEC economies that support a major base of global food security, a valuable lesson could be learned from the small island nation of Tonga, which is effectively mitigating the epidemic of NCD in that country through women-led, community-level educational programs on nutrition and lifestyle choices. This model could be further expanded from a regional to a global cooperation. At the forty-second PIF, Pacific Island leaders and UN Secretary General Ban Ki-Moon emphasized the value of cooperation between the UN and the PIF and agreed to utilize the Millennium Development Goals Acceleration

¹² Coyne, T. (2000) *Lifestyle Diseases in Pacific Communities*, Technical Paper No. 219, Secretariat of the Pacific Community, Hughes, R (Ed.) p.1, available online at: <http://www.foodsecurepacific.org/documents/Lifestyle%20Diseases%20in%20PIC.pdf>.

Framework to help identify national priorities for action in each of the Pacific Island countries. APEC should work with PIF and the UN to develop policies to manage marine food resources in the global commons, and create sustainable health-security funding strategies to improve the productivity of Pacific Island nations.

Conclusion

It is time for APEC to move beyond trade liberalization and rethink its agenda in terms of nontraditional security by addressing challenges in disaster management and health security, including related aspects of food security and climate change, all of which pose long-term, negative impacts for regional economic development. Both disaster management and health security are shared challenges that require regional strategies. APEC should work with other regional organizations like ASEAN and PIF toward building such a strategy for ensuring resilient communities and sustainable economic development for the Asia-Pacific region.

Chapter Six

Sergey Smirnov

Maritime Security and Arctic Issues: Challenges, Threats, and the Human Factor

Executive Summary

- The strategic threats to maritime security have not disappeared, but their sources have changed. Globalization, growing economic interdependency, and dissipation of ideological controversy constrain the hostilities, whereas political or electoral considerations sometimes facilitate conflicts.
- The hostilities in connection with the nuclear programs of Iran and the DPRK are the most serious strategic security threats now. Unable to directly confront a technologically superior adversary, both nations can effectively use Special Forces and guerilla warfare in the maritime domain, as evidenced by the tragic incident with the Republic of Korea's *Cheonan*.
- The Arctic is becoming a focal point of interweaving interests for many actors, with the melting ice, oil and gas companies' interests, and prospects for navigation as the driving factors. The imperfection of the international law and contradictions between the Arctic and non-Arctic states hamper Arctic exploration.
- The degradation of human creative capacities facilitates the negative security and enhances safety challenges. The risk of human or man-made mistakes is increasing; the consequences can be catastrophic, especially for the fragile Arctic environment.

This chapter will review the existing and potential challenges to maritime security and its naval implications, as well as the security situation in the Arctic region. The geographic boundaries of the analysis will be limited to the Asia-Pacific region, which essentially means dealing with the maritime situations in three out of the four oceans.

Maritime Security

The military/naval threats to maritime security in our region have not disappeared, but their sources have substantially changed. A Domsday nuclear-war scenario will hardly attract even a second-rate movie producer today. Global economic interdependency has become a paramount factor in reducing the possibility of war and limiting the scale of conflicts. The highly pragmatic and mutually beneficial relations between the two Chinas are a good example of this, especially compared to the situation in the Taiwan Straits 15 years ago.

This does not mean relations between the key actors will always be stable and manageable. *Per contra*, such relations will inevitably fluctuate sharply, resulting in periodic “crises” and “resets.” Nevertheless, each time it will happen for mere political, electoral, or PR-motivated reasons, not because of irreconcilable strategic or ideological differences.

Yet, we may not totally discard the threat of nuclear war today. It can start accidentally, as a result of a human, hardware, or software mistake. The idea is not the author’s paranoia, unfortunately; a further explanation of this assumption will be given.

Next are the more likely regional or local maritime conflicts. This threat is evident and potentially highly damaging to regional and global security. The Iran versus U.S.-led-coalition interface in the Strait of Hormuz is probably the most challenging hotspot today. The Korean Peninsula hostilities should be regarded as “threat number two” in the Asia-Pacific. However, confrontation is avoidable in both cases.

Syria, which is the only ally of Tehran, is possibly a key to settling the “Iran Crisis.” It is imprudent to make a political prediction in a rapidly changing situation. However, the author believes that the dramatic February 2012 UN Security Council vote on Syria would benefit the Middle East settlement eventually. This does not mean that the use of veto by Russia and China on a draft resolu-

tion proposing tough sanctions against the Bashar al-Assad regime was just a noble move. Both nations were motivated by purely pragmatic considerations. Moscow, in particular, could have easily used its influence on the besieged Syrian leadership well before the February vote to calm down the internal confrontation. The West, in its turn, should have finally realized the long-term consequences of the Arab Spring for its own security. The success of radical Islamists in Egypt was a wake-up call; the inevitable Syrian radicals' rise to power, if al-Assad's regime is forcefully eliminated, may easily become a passing-bell for Israel.

The possible fall of al-Assad would become a dramatic challenge to Shiite Iran, which regards the neighboring Arab Sunnite states as enemies no less than the Western Satan. Quite possibly, the Ayatollahs may choose to rapidly boost the country's nuclear program. In this case, the possibility of armed confrontation in the Gulf and the Arabian Sea will inevitably grow.

The outcome of a possible naval battle is clear – the Iranians have no chance to directly oppose the U.S. naval and air power for more than several days, maybe even hours. But it will mean very little. Unlike Iraq, split by Sunni, Shiite, and Kurdish rivalries and kept together only by the evil will of Saddam Hussein, Iran represents a completely different tradition and culture. The Iranian Revolutionary Guards successfully used speedboats for attacks against oil tankers in the 1980s; Tehran has much more sophisticated weaponry and trained personnel today. The experiences of Lebanon, Iraq, and Afghanistan clearly show that guerilla warfare can be successfully used to defeat a technologically superior enemy. The use of Special Forces, combat-trained marine mammals, and midget submarines in the shallow waters of the Gulf can have a surprising effect.

The tragic sinking of the ROK's *Cheonan*, supposedly by a torpedo fired from a North Korean midget submarine, on March 26, 2010, may well become a forewarning to major naval powers.

Trusting the conclusions of the Joint Investigation Report,¹ we have to admit the attack was a complete surprise to the crew of the *Cheonan*. But the crews of the ROK warships patrolling the maritime borders are highly professional and always on alert; they know the waters, islands, and coastline perfectly well. The *Cheonan* was a relatively modern warship specifically designed for patrol operations in shallow waters. Yet a midget submarine without advanced electronics and computer gear easily killed its adversary. If that is true, then what would the U.S. Navy face in the Strait of Hormuz?

Regarding the present security situation around the Korean Peninsula, two assessments can be used: “cautious optimism” and “uncertainties in the mid-term prediction.” The sudden death of Kim Jong-Il in December 2011 has not triggered the DPRK’s political collapse, against some expectations. The transition of power seemed smooth and trouble free. Maybe even too smooth, taking into consideration the obvious lack of experience of young Kim Jong-Un to play the role of the supreme national leader. There are signs that the top military ranks have become the most influential powers in the DPRK. This hampers the analysis of what is going on in Pyongyang now and what actions to expect in the near future. In any case, the maritime-security situation in Northeast Asia will remain complicated and volatile at least until 2020, mostly due to the possible developments within and around the DPRK.

At the same time, the naval build-up in key NEA nations – South Korea, China, and Japan (to a lesser degree)² – has become a new, challenging regional trend. The DPRK situation cannot be blamed for this build-up; neither can the “Threat from the North,” which ceased to exist more than a decade ago. The jealous desire to keep pace with neighboring rivals and develop a capacity to pro-

¹ Joint Investigation Report on the Attack against ROK Ship *Cheonan*, Ministry of National Defense of the Republic of Korea, available at <http://www.nautilus.org/publications/essays/napsnet/reports/Cheonan.pdf>.

² Yuri Vederikov, Sea Dragons of East Asia: The Navies of Japan, Republic of Korea and China in the Beginning of the XXI Century, *Tidskrift i Sjöväsendet, Royal Swedish Society of Naval Sciences* (2011, Issue 3), 274-285.

tect national interests in the maritime domain outside NEA is a possible motivating factor. The existence of unresolved territorial disputes between the three Northeast Asian nations adds to this drive; a lot more is hidden beneath.

Russia is luckily a “non-destabilizing” factor in NEA now, which opens an opportunity for Moscow to promote regional cooperation initiatives, including a dialogue with the DPRK. The APEC Summit-2012 in Vladivostok will be a perfect chance for Russia to demonstrate willingness to integrate into the Asia-Pacific regional architecture.

As for its navy, the keel-laying ceremony for the amphibious assault ship *Vladivostok*, the first *Mistral*-class ship ordered by Russia, took place in France in February 2012. Defense Minister Anatoly Serdyukov had earlier mentioned that the first *Mistral* would be based in the Pacific, but the Russian navy commander-in-chief Admiral Vladimir Vysotskiy declined to reveal to which fleet the *Vladivostok* would be assigned.³ The Russian Pacific Fleet badly needs new ships of this class, which can provide full-scale support for anti-pirate operations in the Indian Ocean and other missions in the vast area of the Fleet’s responsibility. But there are problems with ship repair: the French-built vessels need to undergo medium repair and overhaul in France, which is 19,000 km from Vladivostok.

As for the situation with multinational, anti-pirate operations in the Arabian Sea and Gulf of Aden, it is necessary to point out their inconsistencies. The operational costs are extra high for all the participants. The legal aspects of dealing with sea pirates have not been settled at the UN, the IMO, and other international bodies. No breakthrough in this regard can be expected in the near future. At the same time, the officers and crews deployed to the Somalia coast are gaining invaluable experience and skills in at-sea interoperability and international collaboration, which is essential for maritime security.

³ Korabli tipa, “Mistral” poluchili nazvaniye. *Rossiiskaya Gazeta* (February 2, 2012), available at <http://www.rg.ru/2012/02/02/mistrali-site.html>.

Lastly, a brief remark on a common challenge to maritime security: how to provide safety in navigation. This problem has been in existence since our great ancestors first sailed the seas. It is still an urgent issue today, in the era of satellite navigation and electronic charts. The most modern ships collide all of a sudden, run aground, or sink in high seas. The tragicomic incident with the MS *Costa Concordia* hitting a rock in the Tyrrhenian Sea in January 2012, is a case in point of the human-factor importance, even for the most sophisticated engineering systems.

The Arctic

The start of the full-scale exploration of Arctic resources has become extremely fashionable these days. The claims that global warming is leading to rapid melting of the Arctic ice, thus paving the way for oil and gas (O&G) extraction and commercial ship traffic in the Polar Ocean, are justified. However, this does not mean that Arctic exploration will start tomorrow. The reality, as usual, is much more complex and contains a number of caveats that can impede our movement toward the Arctic treasures.

The technologies of drilling and extracting O&G on the seabed in severe geographic conditions have improved to some degree, but not radically. The remoteness of potential Polar Ocean O&G extraction areas makes the construction, operation, logistics, and maintenance of oil rigs challenging and dramatically raises their costs.

The introduction of satellite-based, remote sensors helped to improve the situation with weather/ice monitoring in the Arctic, especially in terms of the quality of short-term forecasting. Mid-term and long-term forecasting is much more complicated, with no reliable model of ocean/atmospheric interaction in the North available so far.

The situation with search and rescue, disaster relief, and management capabilities in the Arctic is far from satisfactory. The joint Search-and-Rescue (SAR) system in the Arctic has only

started to form.⁴ At various exhibitions, we see a lot of air cushions, air balloons, etc., and specially designed vehicles that could improve the capabilities for a mission in the Extreme North, but potential customers do not hurry to invest in it. The good, old ski and dog teams are often the best and only means of transportation there.

Communication and information technologies are probably the most advanced in terms of their Arctic application. However, the accessibility and quality of communications and satellite navigation in the polar zone generally fall back to areas lying to the south from the 70th-degree latitude. Russia's GLONASS should perform better than GPS in the Extreme North,⁵ but it is still not very popular among end users.

The Arctic O&G deposits are not a myth. The estimated technically recoverable resources exceed 90 billion barrels of crude oil and 1,700 trillion cubic feet of natural gas, at the very least.⁶ It is, however, important to keep in mind that 84 percent of Arctic O&G reserves lies off-shore.

There is enough oil on the global market today and its price (including transportation costs to major consumer economies) is acceptable. The ghost of the "second wave" of the global financial crisis helps stabilize the oil prices. The cost of the Arctic O&G will be 200 percent to 300 percent higher due to extremely difficult conditions for their extraction and transportation. What is worse, the delivery of O&G will be seasonally limited.

The beginning of commercial navigation via the Northern Sea Route (NSR) is probably the most attractive option for major East Asian economies. It explains their practical interest and determination to promote an active Arctic engagement policy. The economic

⁴ "Search and Rescue in the Arctic," (June 22, 20110, available at: <http://www.arctic-council.org/index.php/en/oceans/search-and-rescue>.

⁵ Brian Harvey, , "Military Programs," *The Rebirth of the Russian Space Program* (Arctic, June 22, 2011), (Germany: Springer, 2007, 1st ed.), available at <http://www.arctic-council.org/index.php/en/oceans/search-and-rescue>

⁶ United States Geological Survey, (USGS), (July 27 2008).

advantages are obvious: the “polar” route from Busan to Rotterdam is 40 percent shorter than the traditional “southern” route. Polar ice in waters adjacent to Russian coastline is melting faster than in the Canadian Arctic Archipelago, but it does not mean that all areas of the NSR will soon become safe for commercial navigation. Ship transit will be limited to two to three months a year for years ahead. Given the urgent and highly expensive requirements to equip the NSR with navigational means, create a reliable SAR system, and construct intermediate port facilities along the route, the prospects for commercial ship traffic in the Arctic do not appear very optimistic at the moment.

The security situation in the Arctic has not changed much in recent years. The announcement of the planned deployment of two Arctic brigades made by Russian Defense Minister Serdyukov in July 2011, will not affect the regional security situation. This initiative is fully in line with the recent moves by other Arctic nations eager to improve their defense capabilities in the North. It is a logical step, as the severe Arctic environment demands the presence of specially trained and equipped forces capable of performing a wide range of missions. Actual combat will definitely not be on top of their operational priorities’ lists, while SAR - HA/DR missions will be in high demand in the Arctic.

If the above arguments are correct, there seems to be only one reason for the “Arctic boom,” the global climate changes leading to the melting of the Arctic ice. Unfortunately, scientists cannot provide us with a reliable model of climate changes; their assessments are often contradictory. Accordingly, no exact business plans for the large-scale commercial exploration of Arctic resources can be developed today.

Yet the boom is obvious. The members of the Arctic Council, judging by their increasingly energetic moves, both domestically and internationally, are intent on maintaining the Arctic as their exclusive domain. At the same time, we see the intensification of multilevel activities of “Arctic-interested” countries, such as China,

Japan, and South Korea, which have already expressed their willingness and determination to engage in Arctic exploration.

Some Western experts insist that the 2007 Russian scientific expedition, during which the titanium national flag was planted on the Polar Ocean seabed at the Lomonosov range, pushed the situation and triggered the corresponding activities of other governments. Such allegations are questionable, at the very least. Anyway, it would be counter-productive to try to figure out which nation was the first to pull the trigger in the Arctic race. The idea had been in the air, helped to a large degree by clear imperfections of the international law.

First, it is a complicated compromise of the 1982 UN Law of the Sea Convention regime. Signed so far by 158 states, it provides the basic regulations for maritime law. However, this Convention was a result of a major tradeoff; it has a number of shortcomings and inaccuracies and needs reevaluation and further improvement. Moreover, it is not ratified by some key actors, including the United States. Second, the UNCLOS does not directly regulate the legal situation in the Arctic, where the principles of “sectoral division,” dating back to the nineteenth century, apply. The lack of universal legal regulations on the rights, privileges, and responsibilities of Arctic and non-Arctic states is creating a lot of uncertainty and may lead to serious conflicts when major actors decide to take the opening opportunities for Arctic exploration.

The economic exploration of the Arctic can hardly be pursued without solid government guarantees, or at least their support. Such support exists, and even the global financial crisis was unable to slow down the governments’ determination for Arctic exploration. We assume that the O&G corporations are lobbying their Arctic plans through respective government authorities for the following reasons:

- Potential fluctuations of O&G prices. In particular, if hostilities break out in the Gulf, the prices will rocket up and the Arctic oil may become lucrative.

- Blank spaces in international maritime law creating opportunities for possible rearrangement of access rights to potential areas of natural resources in the Arctic.
- The links and interdependency between the government officials and O&G corporations, which are highly ramified, complicated, sometimes cross-border and unaccountable.

Strictly speaking, there is nothing strange or malevolent in governments' willingness to protect their energy security interests, as well as in O&G corporations' desires to come ahead of rivals in a race for potential resources. Moreover, the transnational nature of O&G industry facilitates the scaling down of direct military-confrontation threats in the Arctic. However, there is another threat, maybe even more menacing, to the environmental security of the region.

The Arctic environment is extremely fragile, mostly due to a very short reproductive cycle. This means that the pace of natural recovery from sea pollution in the Arctic will be many times slower and sometimes simply impossible.

Oil and gas condensate is the most serious source of potential pollution in the Arctic. It is obvious that the construction of oil rigs and pipelines, as well as the loading and transportation of extracted petroleum resources in the Arctic, represents a highly challenging task both technically and administratively. The risk factors to be considered are many, while the price of any mistake can be disastrous. Even a relatively minor oil-pollution accident will demand a rapid deployment of salvage technique, personnel, and reagents from outside. A timely and adequate response cannot be guaranteed. In the event of major incidents, like the *Exxon Valdez* or BP Gulf of Mexico spills, large parts of the Arctic environment could be annihilated.

Conclusion

The importance of the human factor as a serious security challenge should be stressed. The rapidly growing dependence on networking, software, and artificial-intelligence systems generates undesirable effects on human mentality. The generation of von Brauns and Korolevs, Sakharovs, and Oppenheimers, who could see problems in their entirety and suggest breakthrough solutions, has passed away. Their descendants, who were able to formulate the problems and control the work of software engineers, are giving way to a younger generation born and educated in virtual reality. Cruise liners run aground, satellites fall, nuclear-power-plant operators fail, NASA is left without piloted spaceships; these are clear symptoms of progressive degradation of human creative capacity. It is frightening, because tomorrow the mariners unable to steer their ships without e-Navigation support will sail into the Arctic, and software developers educated by *Star Wars* and *Half-Lives* will create new algorithms for advanced ABMDs.

Chapter Seven

Justin Nankivell and Kerry Lynn Nankivell

Shifting Ice, Shifting Policies: The Evolution of Ocean Governance in the Arctic

Executive Summary

- All signals suggest that *change is imminent in the Arctic*. Geo-physical change will give rise to necessary evolution in ocean governance to take account of new empirical realities.
- Policy evolution will take place within a dynamic global environment, in which *old and new stakeholders are redefining their needs, interests, and identities*.
- These shifts are *unlikely to be violent or dramatic*, but will likely unfold as manageable, multilateral processes in the political, diplomatic, and legal realms.
- *APEC can contribute to this process*, particularly by giving voice to private-sector perspectives on APEC's core issues, including energy security and resilience, safety and security of maritime transit, and supply-chain security.
- Shifts *may, however, be deeply consequential*, as fundamental concepts in ocean governance are renegotiated to advance the interests of some states over those of others.
- A historical look at Canadian Arctic policy, which has been at the forefront of advocacy for multilateral legal evolution in the Arctic, gives policymakers hints about how this evolution works in policy terms and its potential consequences for all stakeholders.

Introduction

The Northwest Passage, the series of five waterways that cuts through Canada's Arctic archipelago separating the Pacific and Atlantic Oceans, has been conceptualized for centuries through its majestic landscape and mariners' narratives centered on nature's

hostility, isolation, madness, and death. Indeed, Arctic waters are a site of unimaginable beauty where nature exists in its rawest, most challenging form. But, at least since the 1576 voyage of Martin Fro-bisher, the region has also been known as the “Arctic Grail,” a transit route linking Europe to Asia that promises to collapse distance and expand wealth and prosperity.¹ Indeed, it is both the promise *and* the danger of the Arctic ice that continue to capture imaginations and dictate the terms of humanity’s engagement with the region.

But things are changing on the Arctic horizon. First, the ice is melting at a quickening pace. Over the previous thirty years, sea ice cover has shrunk by 15 to 20 percent, and the existing ice continues to thin at variable rates. Though ice conditions were reportedly “good” in January 2012, most recent analysis of available satellite data suggests an overall decline in the extent of sea ice by approximately 3.2 percent per decade since the 1970s. Before 2005, the extent of January sea ice coverage had never fallen lower than 14 million square kilometers, though it fell below that mark in six of the subsequent seven years.² There is what scientists refer to as a “multiplier effect” being generated. Not only have longer summers prevented new ice from forming, they have also eroded older, multiyear ice. Thus, the overall time for thicker ice to reconstruct through the winter is consistently restricted, causing a loss of ice even if temperatures during the winter months remain constant. Many scientists now believe that Arctic ice is caught in a “death spiral,” and forecast that the Arctic might be temporarily ice-free in late summer as early as 2020 and altogether ice-free for most of the year by mid-century.

Amid a growing appreciation of the Arctic’s new climate is the emerging realization of the Arctic’s true mineral and energy wealth. Estimates suggest that energy resources in the Arctic represent perhaps 25 percent of the world’s undiscovered oil and gas

¹ See Pierre Burton. *The Arctic Grail: the Quest for the Northwest Passage and the North Pole, 1818–1909*. Anchor Publishing, 1988.

² See U.S. National Snow and Ice Data Center at <https://nsidc.org/arcticseaicenews/>.

reserves. The United States Geological Survey concluded in 2008 that there are an estimated 90 billion barrels of oil, 1,670 trillion cubic feet of natural gas, and 44 billion barrels of natural gas liquids in the Arctic.³ Much of the oil is believed to be within the United States' jurisdiction off Alaska, while the gas is probably largely Russian. As a result, numerous international companies are investing heavily in projects meant to harvest petroleum from the seabed, and Arctic states are moving quickly to map their continental shelves in preparation to file submissions under the UN Convention on the Law of the Sea (UNCLOS).

Ocean Governance in the Arctic: The Case for Multiple Futures

All of this activity does not indicate that there is a scramble for Arctic territory and its resources. Rather, this increased interaction is only evidence of an effort by all Arctic states to advance their long-held interests in the region. These include newly prompted "extra-regional" actors, including the EU and China, which seek to advance their legitimate transit and deep seabed interests in the Arctic sphere. Given that the term "scramble" implies a lawless state of semi-anarchy, the more accurate interpretation of events is that Arctic policies by littoral and other states alike have, thus far, been structured largely in concert with the current rules of international law and within the bounds of neighborly good conduct. Indeed, the Ilulissat Declaration of May 2008 in Greenland declared the intent of the five central Arctic states (the United States, Russia, Canada, Denmark, and Norway) to have all matters in the region, including continental-shelf demarcations, solved by the legal rules contained within the

³ Kenneth J. Bird, Ronald R. Charpentier, Donald L. Gautier, David W. Houseknecht, Timothy R. Klett, Janet K. Pitman, Thomas E. Moore, Christopher J. Schenk, Marilyn E. Tennyson, and Craig J. Wandrey. "Circum-Arctic Resource Appraisal: Estimates of Undiscovered Oil and Gas North of the Arctic Circle," US Geological Survey (2008), full text available at: <https://pubs.usgs.gov/fs/2008/3049/fs2008-3049.pdf>.

existing UNCLOS legal framework.⁴ However, existing disputes about Arctic affairs continue, and it is somewhat unclear how the combination of UNCLOS and customary international law will apply to various scenarios.

This chapter will demonstrate that the future of ocean governance in the Arctic will neither be completely chaotic nor purely ordered; neither completely predictable nor a raw struggle for power. Rather, the shifting nature of the Arctic's geology is giving rise not only to complementary adjustments in states' Arctic policies, but to uncertainty about how to interpret international law in the region. These shifts are unlikely to be violent, but will likely unfold as manageable processes that reflect both political and legal restraints. In any case, there will likely be an evolution. As the geophysics of the region is altered (and the structural incentives of the global economy changed), some stakeholders in the Arctic will increasingly view the existing regulatory frameworks as a series of "rusty chains" reflecting historical diplomatic compromises; others will adhere to positions of relatively black-letter law. Nevertheless, a clear proposition can be distilled from this debate. It is not the formal law's *ability* to bind states that is at issue per se: all Arctic stakeholders are either signatories to UNCLOS or accept its provisions largely as customary. Rather, it is the *suitability* of the conventional interpretations of UNCLOS and the *continued relevance* of those interpretations to a new age that is in question. In an era when many foundational concepts of ocean governance are being reconsidered for political purposes, it is likely that historically agreed-upon rules will necessarily require reconsideration to accommodate new claims to legitimacy in this part of the global commons.⁵

⁴ Arctic Ocean Governance Conference, held at Ilulissat, Greenland (May 27–28, 2008), text available at: <http://arctic-council.org/filearchive/Ilulissat-declaration.pdf>.

⁵ This appears to be particularly the case in relation to how China views the current international legal arrangements in the Arctic region. See David Curtis Wright, "The Dragon Eyes the Top of the World," *Naval War College: China Maritime Studies Institute*, no. 8 (2001).

Canada's diplomatic and international legal history of Arctic policy has interesting lessons for contemporary policymakers thinking forward. Since the earliest days in the negotiation of UNCLOS, Canada has been at the forefront of advocacy for new and unconventional norms to be applied to the Arctic Ocean. Canada, above all, led a vanguard of coastal states from both the developed and developing world at UNCLOS to turn key principles of ocean law on their heads to allow UNCLOS to reflect new conceptions of justice better suited to the post-decolonization era. We do well to remember that Canada's lead negotiator to UNCLOS, J. Alan Beesley, came to "bury Grotius, not to praise him," as U.S. negotiator Bernard Oxman recalls vividly from that time.⁶ In the 21st century transition toward Asia-dominated geopolitics, we are likely to witness a similarly nuanced interplay of politics and law used by states to enact broader structural change.

How does this interplay both guide and shape legal change? In the Canadian case, beginning in the 1960s, Canada recognized a political opportunity to advance new concepts of justice in the field of ocean governance. This opportunity opened up as the global community reconsidered fundamental questions about the right to sovereignty over natural resources and the outward extensions of environmental authority over coastal water spaces. These new global ideas about international/domestic ethics and inclusive/exclusive world order conveniently advanced Canadian sovereignty and material interests. Indeed, the history of Canadian policy in the Arctic can be understood as a political chapter in which a single state harnessed the authority of its international lawyers to gain prominence within emerging concepts of international justice related to "special" global areas. The Arctic became the theoretical laboratory where new scientific thought collided with environmental ethics and industrialization. As a result of this unique combination of forces, Canada's Arctic case became one in

⁶ Bernard Oxman, "The Territorial Temptation: A Siren Song at Sea," *AJIL* (2006), 100: 832.

which international law and political necessity intertwined to produce new institutional frameworks. Not only did Canada's Arctic engagement with international law have a profound impact upon the direction of Canadian foreign policy from 1970 onward, but more importantly, it set the stage in structuring multilateral international debates within established multilateral institutions about the right of states' preventative actions, the balance of science, ecology, and sustainable development, and the broader sets of obligations owed between coastal states and seafaring nations.

Why is this historical episode especially relevant? In short, it is relevant because many of these same multilateral debates about justice, sovereignty, and the limits of international law on policy choice are now being engaged by many actors of the Asia-Pacific, including Japan, the Republic of Korea, and China. In the Canadian case, the UN Convention on the Law of the Sea both gave voice to new Canadian interests and interpretations of law, and also put limits on the possible extent and direction of any new evolution. Today, multilateral institutions whose members include the primary stakeholders to the Arctic Ocean will likely play similar roles: states will seek to leverage these institutions to introduce and publicize their preferences for the evolution of ocean governance, but will be forced to do so in ways that are acceptable to the wide community of stakeholders.

APEC will be one such organization, and will no doubt be a forum for this kind of discussion in the coming decade. Though APEC does not have the rule-making power of organizations like the IMO or conventions like UNCLOS, it does have an enduring interest in many of the Arctic region's primary issues: energy security and resilience, the safety and security of maritime transit, supply-chain security,⁷ and private-public dialogue. Though APEC

⁷ APEC was an early and effective meeting place for members and the private sector to discuss the importance of multilateral mechanisms to monitor and improve global supply-chain security following the 9/11 attacks in the US. For their continued work on this topic, see *inter alia*, APEC Committee on Trade and Investment (CTI) Annual Report to Ministers, (2010), appendix 5: Supply-Chain Connectivity (SC) Action Plan, full text available at: http://publications.apec.org/file-download.php?filename=210_cti_AR_App5_SCIActionPlans.pdf&id=1081_toc.

has not yet engaged in Arctic issues, its unique structure and member composition, particularly its wide and effective embrace of private-sector perspectives, will make it the likely site of contributions to the unfolding Arctic debate.

How will this debate unfold? How will evolution be managed? By developing a Canadian retrospective, we can understand how politics can reshape old legal institutions whose validity have begun to be challenged. In so doing, we can begin to appreciate the range of possible future scenarios of a new Arctic Ocean Framework Agreement, one that navigates between the demands of a new polar code under the International Maritime Organization, the needs of states and nonstate actors in the Arctic Council, and other relevant multilateral organizations, and the current framework of UNCLOS.

The Argument for the Northwest Passage: A Canadian Retrospective

Controversy in Canada over the status of Arctic waters began formally in 1969, when the commercially owned United States vessel *Manhattan* tested the waters of the Northwest Passage to see whether new oil discoveries off the east coast of Alaska could be shipped to ports in the eastern U.S. The newly elected Canadian Prime Minister Pierre Trudeau was immediately caught in a legal and political bind. The north was then, and is even more so today, a central component of Canadian collective identity and national heritage. To “lose the Arctic” would be ruinous for Trudeau, tantamount to losing a large swath of territory. Indeed, that the Arctic waters are the “territory” of Canada has largely become embedded in the domestic psyche, not only because the sea ice represents a tangible territorial entity upon which peoples carry out livelihoods and imagined communities are considered connected, but also because the maps of Canada illustrate what appears to be a contiguous landmass extending through to the summit of the northern polar region. Arctic waters are considered to be “geographical territory”

in Canadian public consciousness, whether rightly or wrongly, legally or ethically. Canada thus responded in a hostile fashion to the transit of the *Manhattan* as an American threat to turn sovereign Canadian waters into an American-dominated super-highway for oil and gas. Canada's government formally responded to the *Manhattan's* voyage with legislation, the Arctic Waters Pollution Prevention Act (AWPPA). The AWPPA avoided an explicit assertion of sovereignty over Arctic waters, but declared Ottawa's right to exercise functional jurisdiction, imposing rules and potentially setting limits on ships passing within 100 nm of the coasts of Canada's Arctic archipelago of 19,000 islands.

The legislation was controversial internationally. Many of the world's international lawyers viewed it as illegal or self-serving, while others saw it as a reasonable exercise of pollution-control authority by a coastal state intent on responding to increased transit volumes. Due to the contested nature of the AWPPA, Canada spent the early part of the 1970s attempting to entrench its norms of environmental protection within a range of institutional fora and nonbinding negotiations in the run-up to UNCLOS. With increasing support, Canada sought to have the AWPPA formally codified at UNCLOS, from 1974 to 1982.

Canada's legal diplomacy was welcomed primarily by developing states with substantial coastal interests, and protested by powerful navigational nations. This general dichotomy of interests was a partial reflection of the negotiating period for UNCLOS itself. Canada's Arctic interests presented a threat to established powers that had overwhelming interests in keeping as much of the world's oceans open to navigation as possible. In 1976, after two years of intense, three-party negotiations by the United States, the Soviet Union, and Canada, a compromise between coastal justice and navigational freedom was forged and Article 234 of UNCLOS was constructed. Article 234 validated Canada's environmental protection legislation and gave Canada the ability to administer ice-covered areas for the purposes of environmental protection

to a limit of 200 nautical miles. The three-party negotiations did several things concurrently: first, they granted Canada increased “sovereignty” in Arctic waters under UNCLOS, even though Article 234, *inter alia*, outlines that the passage of warships and government vessels are exempt from its provisions; second, they implied that “ice-covered areas” were a special category that had to be distinguished from other areas of natural fragility; third, the question of Canada’s full sovereignty over the Arctic waters and Northwest Passage was conveniently deferred, leaving somewhat determinable, but not wholly clear in many respects, the extent to which Article 234 could be applied in future scenarios.

The deferral of the question of Canadian sovereign control over the Northwest Passage meant that yet more contested politics and diplomacy would invariably arise. In 1985, the United States Coast Guard sailed the *Polar Sea* through the Arctic archipelago, absent express, final permission from the Canadian government. The voyage was taken, at least publicly, as a direct challenge to Canada’s claim of sovereignty by Canadian officials. In response, Canada declared “full sovereignty” over the Northwest Passage by drawing straight baselines across the top of the Arctic archipelago. Though no explanation was given publicly by Canada as to how this would affect its position under international law, the baselines effectively consolidated a zonal area within which Canada claimed it could treat its Arctic waters as internal waters subject to complete sovereignty beyond the existing legal provisions of environmental protection. The United States and the European Union lodged immediate diplomatic protests, noting that use of straight baselines was illegal in this instance and full Canadian sovereignty in the area was a fiction. The dispute remains today.

Retrospective to Futurist Perspective

Many accounts of Canadian Arctic policy argue that international law matters little to the case, proving it an example of the law’s inability to structure international behavior where national

interests are at stake. However, such a frame is a thin interpretation of a sophisticated political and diplomatic history. In the Arctic case, the policies and strategies of Canada, the United States, and the USSR were much more than just a one-time grappling for maritime zones. To the contrary, each state crafted careful policies to leverage the process of international rule-making for its long-term benefit. Canadian officials, as the materially weakest of the three parties, were particularly clever in the way in which they succeeded in wrapping a nationalistic claim to sovereignty in the Arctic in an internationally appealing call for increased environmental protection that struck a chord of international legitimacy. Canada improved a weak legal case not through power politics, but by using a political argument grounded in a universally understood moral obligation to protect the marine environment and deepen the world's commitment to environmental sustainability. As a result, Canada accomplished much more than extending its own sovereignty or administrative control. The Canadian delegation made a material contribution to the renegotiation of basic principles of ocean governance, elevating the newly enforced need for good stewardship of the world's oceans to compete with the long-held, assumed preeminence of freedom of navigation.

However, to frame Canada's construction of Arctic transit law as subject to overt Canadian manipulation would be an overstatement. In many ways, this body of law has been negotiated over time by Canadian officials who have interacted with, interpreted, and incorporated international perspectives on what can and cannot be accepted as legal in maritime affairs. Indeed, the final determination of whether or not the Canadian claim is valid will probably be made on the basis of whether or not international opinion supports Canada's basic appeal to unusual interpretations of sovereignty and justice. Moreover, whether, or how, Canada and Russia begin to demonstrate that they have equally valid claims in international law in their respective Arctic areas will also be of great significance. Because there is great overlap in their legal posi-

tions related to claims of internal waters, a Russian/Canadian legal union, if constituted properly in diplomatic strategy toward the construction of new multilateral frameworks like an IMO polar code or through well-established open multilateral institutions like APEC, would be a powerful force against an opposing state-based coalition of the United States, the EU, and China.

This specific historical episode provides some heuristics that can be used to understand the range of possible futures of ocean governance in the Arctic.

The first is that a globally evolving political environment creates conditions that are ripe for the emergence of new understandings of old norms. Just as Canada took strategic advantage of the newly transitioning post-colonial environment of the 1970s to socialize and consolidate new understandings of sovereignty and justice in the ocean domain, some others are embarking upon a similar path as the global order transitions today. In this fluid environment, multilateral institutions such as APEC have increased relevance, not less. It is through a process of interaction, interpretation, and negotiation with multilateral forums that new understandings of old concepts can be socialized and consolidated (or rejected).

Second, legal uncertainty and power transitions are as likely to be structured by law in the modern age as by conflict. We should remember that, even in the 1970s, and despite competing interests among super-power rivals, Canadian, U.S., and Soviet heads of state all demonstrated clear preference for establishing dominance through the negotiation of legal frameworks rather than through threats or outright conflict. Policymakers should expect a similar preference to emerge today, given the stakes of conflict and that deepening legalization of states' relations has emerged in most policy areas. The activity and prominence of APEC, particularly its early interest in issues such as energy dialogue (including public- and private-sector input), transportation, and supply-chain security, will no doubt mean that APEC and its working groups

will help to structure dialogue about ocean governance within the language of law and agreed-upon rules and standards of conduct.

Third, international law matters at the beginning of legal disagreements about ocean governance, not just as an end result of diplomacy. States that recognize the benefits of influencing rule-making beyond the point of enforcing hegemony understand they can only alter outcomes by appealing to justice, reasonableness, and universally understood concepts in a negotiation with the international community as a whole about the limits of legality. This indicates that, while new norms and rules cannot be formally introduced unilaterally, authoritative appeal to rules and order is critical to the process of introducing new norms, socializing them, and, ultimately, securing their acceptance as legitimate. New legal norms must be linked to and justified within a given historical context. Socializing new norms and rules cannot be done with insensitivity to the prevailing interests of other states, nor with lack of understanding of the prevailing interpretations of legal concepts. This means that the future of ocean governance in the Arctic cannot be purely chaotic, but will be bounded and ordered by existing agreements, relationships, and institutions, including APEC.

In sum, all signals suggest that change is imminent in the Arctic. As the seascape changes, so multilateral legal and regulatory frameworks will need to evolve to accommodate new empirical realities. Accordingly, new questions embedded in conventionally understood concepts will arise: how do ideas about environmental sustainability structure a new balance between ecologically fragile coastal areas and increasingly important transit trade? How does sovereignty over ocean spaces take into account that permanent sea ice is disappearing and sea levels are rising? How does exclusive ownership of the seabed interact with resources that straddle or migrate between jurisdictions? How does the private sector relate to governments in newly emerging paradigms? What are the limits of accountability and stewardship of sovereign zones for passersby from far-off states?

Furthermore, these questions will furthermore be answered in a time of global political transition in which many states are reevaluating their fundamental needs, interests, and identities. However, that there is a great deal of reconfiguration occurring in the Arctic domain does not mean that ocean governance in the area will be chaotic or conflict-ridden. To the contrary, analysts and practitioners should be prepared for a long, slow evolution in which tectonic shifts in the architectural governance of the region will likely be unavoidable, and the interaction between the demands of international law and politics continued as an outgrowth of forty years of diplomatic history in the region.

Chapter Eight

Miemie Winn Byrd

Education, Economic Growth, and Social Stability: Why the Three Are Inseparable

Executive Summary

- A nation's human capital has been identified as a crucial factor for their progress and development. Education is the primary mechanism for escalating human resources and accumulating human capital. Therefore, public education is one of the most important inputs for nations' social and economic outcomes.
- In times of economic downturn and crisis, reducing public investment in education and infrastructure to cut government deficit can impede longer-term growth and development. The short-term success of lowering fiscal deficits and inflation can create a long-term trend of low growth and low employment as the result of insufficient education budgets and dilapidated education infrastructure.
- Disparities in education based on gender and socioeconomic status can create a significant drag on growth. Additionally, a disparity in education that aligns with social, political, and economic fault lines creates resentments leading to violence, conflict, and instability. Schools and education systems can serve as channels for the development of peaceful societies or exacerbate the situation, depending on the policy insertion.
- National education policies must be linked to security, social, and economic strategies for higher probability of success. Such linkage requires interagency cooperation within governments.
- At the regional level, APEC can play a crucial role in promoting and assisting member countries in the development

of sound education policies. APEC can create a platform on which best practices in education are shared and find ways to cooperate, develop, and spread a highly educated labor force across the Asia-Pacific region.

Introduction

According to the 2011 UNESCO Education for All (EFA) Global Monitoring Report¹, many low-income countries have made good efforts toward increasing their national spending on education since 1999. However, some regions and countries have continued to neglect education. Central, South, and West Asia invest the least in education. This does not bode well for growth and development in these regions. Economic growth is considered one of the key determinants for nations' development and progress. Nations' economic growth generally hinges on three factors: human capital, physical capital, and financial capital. Physical capital includes natural resources; financial capital is an investment needed to convert the physical capital into something useful and valuable; and the human capital is the human resources required to manage the entire process. Generally, the human capital is defined by the level of human resources that comprises the knowledge, skills, and capacity of a nation's population.

This chapter focuses on the human capital aspect of the triad, since human capital has been identified as a crucial factor for nations' economic growth and development. We have seen the primacy of human capital over physical capital in examples such as Myanmar and Nigeria, which are well endowed with natural resources but have been unable to progress, while Singapore and Taiwan, without many natural resources, have been able to rapidly reach newly industrialized economies (NIE) status.

The human capital is considered a vital element for nations' progress because, without it, the other two factors, physical and

¹ The report can be found at <http://unesdoc.unesco.org/images/0019/001907/190743e.pdf>.

financial capitals, are ineffective. An increased number of skilled, educated, and productive citizens contribute to increased economic output for the private sector and improved governance in the public sector. The primary mechanism through which to increase human capital is education. Hence, public education is one of the most important inputs for nations' social and economic outcomes. Although this concept is profound, the idea is not a new one. Reverend Ohn Kin, in his 1956 memoir, stated, "What you put into the schools will be a controlling force in the lives of the people, and, conversely, in twenty to thirty years." Additionally, education yields indirect benefits to growth by stimulating physical capital investments and development and adoption of new technology.² Therefore, Harbison and Myers famously said that "education is both the seed and the flower of economic development."³

However, the governments in developing countries generally struggle with the twin challenges of providing universal access to education while improving the quality of education. Achieving universal access to education (education for all) is a daunting task for developing countries due to lack of funds, infrastructure, and human resources. In countries like India, generally 500 million children need to be educated at any given moment.

Despite many challenges, some of the countries, such as Singapore and South Korea, were able to make national education a priority. Their governments allocated resources toward the education of their populations. By elevating human resources, these countries were able to accumulate a high level of human capital, which fueled their attainment of NIE status. Less than fifty years after Singapore's independence, the country transformed its population from uneducated and unskilled, with very little English, into highly educated, highly skilled workers, with English language capability.

² B. Siamese, and J. Van Renan, "The Return to Education: A Review of the Empirical Macro-Economic Literature" (London: The Institute for Fiscal Studies, 2008), 5.

³ F. Harbison, and C. Myers, "Manpower and Education" (New York: McGraw-Hill, 1965), xi; Van Renan, "The Return to Education: A Review of the Empirical Macro-Economic Literature" (London: The Institute for Fiscal Studies, 2008), 5.

South Korea, another “Asian Tiger” known for rapid economic development in the past thirty years, literally had to “rise from the ashes” of World War II and the Korean War of the 1950s. However, South Korea was able to transform from poverty to riches and become an NIE country in a relatively short period. The rapid development of South Korea was attributed to its focus on human development through increased access to, and the improved quality of, education.⁴

These two countries’ experiences are additionally supported by an empirical study involving ninety-eight countries.⁵ Evidence showed a positive relationship between school enrollment rates and economic growth. Early and continued investment in education seemed to be the crucial element in creating a satisfactory threshold level of human capital accumulation, which is critical for economic growth.⁶

Impact of Economic Crisis

While more and better education seemed to be a prerequisite for successful economic and social development around the world, many governments’ (including the U.S.) responses to the recent global economic crisis seemed to have taken the countries in an opposite direction. The extreme fiscal austerity implemented by the governments, many of them under pressure from the IMF to reduce deficit, inevitably cut education budgets. Such austere measures undermined the countries’ ability to create increased levels of knowledge and skill to find alternative solutions in response to the crisis. Joseph Stiglitz, a leading economist and Noble Prize winner, warned that reduced public investment in education and

⁴ J. Lee, “Economic Growth and Human Development in the Republic of Korea, 1945–1992” (New York: United Nations Development Programme, 1997), 7.

⁵ R. Barros, “Economic Growth in a Cross Section of Countries,” *Quarterly Journal of Economics* (1991) 407–444.

⁶ D. Adam, “Education and National Development: Priorities, Policies, and Planning” (Hong Kong: Asian Development Bank, Comparative Education Research Centre, The University of Hong Kong, 2002), 22.

infrastructure to cut government deficit can impede longer-term growth and development. The short-term success of lowering fiscal deficits and inflation can create a long-term trend of low growth and low employment as the result of insufficient education budgets and dilapidated education infrastructure. According to a 2010 Asia-Pacific regional progress report published by Education International, many of the countries in the Asia-Pacific region have not reduced national expenditure on education in response to the economic crisis. This is definitely good news for the region and its long-term growth. However, the news is not as good for the United States.

As the American economy struggles to recover from the recession, of unusual depth and duration, American workers face persistent and historically high rates of unemployment. Although the U.S. economy is experiencing double-digit unemployment rates, 3 million jobs remain unfilled. Many employers have expressed their frustrations with a disconnect between the current education system and the types of skills and knowledge they need in the new labor force. This symptom points to an underlying structural problem of deteriorating quality in the U.S. education system. U.S. students' performances on standard math and science tests have declined.

Many have sounded an alarm. President Barack Obama admitted in his January 2012 State of the Union Address that "at a time when other countries are doubling down on education, tight budgets have forced States to lay off thousands of teachers. We know a good teacher can increase the lifetime income of a classroom by over \$250,000."⁷ In March 2012, an Independent Task Force report on U.S. Education Reform and National Security warned that the current condition of the U.S. public school system "threatens the country's ability to thrive in a global economy and maintain its leadership role," and "educational failure puts the United States'

⁷ Barack Obama, State of the Union Address (2012), the full transcript can be found at: <http://www.usatoday.com/news/washington/story/2012-01-24/state-of-the-union-transcript/52780694/1>.

future economic prosperity, global position, and physical safety at risk.”⁸ While the U.S. needs highly educated human resources to stay competitive in the increasingly globalized world, the developing countries need increasingly educated human resources for their growth and development to catch up with the rest of the world.

Despite the apparent relationships between education and national growth, most advocates in the education sector rarely discuss broader national economic development and growth in relation to education policies and funding. Those who are advocates of education must operate in a wider circle than a narrowly defined education sector to be effective.⁹ Likewise, the economic development and growth policies must consider education policies and funding. These two policies are inextricably linked due to the reliance on human resources and human capital for economic growth and national development. Therefore, nations’ education policies must be able to link to labor market outcomes and other social development strategies. Such linkage requires interagency cooperation within governments.

Education and Social Equality

There are two different perspectives on education: one perspective views education as human capital development for economic growth, and the other views it as a mechanism for social equality. In most societies, education is widely seen as one of the fundamental instruments for creating equal opportunity. However, in many developing and in some developed countries (including the U.S.), a persistent problem of unequal access to quality education exists. This disparity commonly appears in two categories: based on gender and socioeconomic status.

⁸ This task force and report were sponsored by the Council on Foreign Relations. The report can be obtained at: <http://www.cfr.org/unitedstates/us-education-reform-national-security/p27618>.

⁹ R. Rowden, “Impact of IMF Policies on National Education Budgets and Teachers,” (Education International Research Institute, 2011), 3.

Gender Disparities

Increasingly globalized markets and intensified global competition require nations to be able to leverage all available human resources. Existing evidence shows that countries tolerating a high level of gender inequality in the labor force and in education are sacrificing their competitiveness and productivity.¹⁰ When an economy dismisses 50 percent of its population, it is difficult to grow and compete with other economies that are optimally utilizing all of their human resources. Discriminatory practices in the labor market harm both national economic interests and human-development prospects. Therefore, gender inequality is more than a social injustice issue; it is detrimental to countries' economic growth.

A UNESCO 2011 Education for All Monitoring Report noted that formal discrimination seemed to be on the decline in most countries. However, informal practices in families, communities, and businesses remain persistent sources for gender inequality. While many of the countries are edging slowly toward achieving gender parity in primary school enrollment, a significant gap seems to continue to exist in secondary education. However, the improvement in the primary schools is encouraging, because additional evidence suggests that the investment in early childhood education yields higher labor market outcomes later. Studies showed that developing cognitive skills in childhood appeared to have a strong impact on learning and skills development later in life. Therefore, investment in early childhood education could lower later investments by making learning more efficient.

"Pervasive gender disparities in labor markets limit potential of education to unlock increases in productivity and equity."¹¹ The labor markets and education can also be a reinforcing loop if informal social practices continue to discriminate based on gender. The social stereotyping of occupations for men and women inevitably

¹⁰ S. Klasen, "Does Gender Inequality Reduce Growth and Development? Evidence from Cross-Country Regression," *World Bank Policy Research Report Working Paper No. 7* (2000), 10.

¹¹ UNESCO, Education for All Monitoring Report, (2011) 79.

leads to “pushing” women into jobs that generally pay less and require fewer skills. As such, low paying occupations discourage girls from pursuing additional education. Also traditional male/female roles in the family and allocation of household responsibilities can also serve as impediments to girls’ school attendance and attainment of further education.

Therefore, understanding the profile of the disparities is a crucial step in the development of the national education strategy to close the gap. Each country must conduct its own assessment of the barriers to gender parity. When formulating education policies to improve the parity, such policies should be linked and integrated into the broader economic growth strategies. Linking and integrating education policies with broader economic growth strategies will most likely increase the chance of success.

Socioeconomic Gaps

To achieve education equality and quality for all, the governments are faced with three distinct but related challenges:

- 1) ensuring all children are able to attend school;
- 2) preparing the education system to teach children from highly marginalized backgrounds by ensuring enough qualified and motivated teachers with proper support structures; and
- 3) raising the overall average level of learning while providing additional resources for underperforming schools.¹²

Generally, the students from wealthy families are systematically sorted into high-quality schools, while the children from highly marginalized households end up in overcrowded, poorly resourced, government-sponsored schools. For example, a fifth-grade student in the Dhaka district of Bangladesh has a 47 percent chance of passing the Primary School Leaving Examination, compared with a 24 percent chance for a student from the Sylhet district, according to the Bangladesh Ministry of Primary and Mass Education 2010 report.

¹² Ibid.

Such inequality significantly contributes to higher school dropout rates and the attainment of fewer skills for individuals from poor families and communities. This condition continues to commit the poor to the cycle of poverty. Studies have shown that basic literacy and cognitive skills improve individuals' economic outcomes.¹³ In a circularly reinforcing fashion, poverty reduces the opportunity for education attainment and outcomes; the reduced opportunity and outcomes for education prolong an impoverished existence. Therefore, poverty and inequality engender inherent disadvantages. While education systems alone cannot eliminate social and economic disadvantages, they can either increase or decrease their impacts. A sustained long-term growth requires governments to ensure all segments of the population have equitable access to quality education. A properly resourced education system, with an adequate number of qualified teachers, can be a positive force toward creating an equitable society while accumulating an educated, skilled labor force for economic growth and good governance.

Education and Social Stability

The linkage between the role of education and violent domestic conflict has not received much attention, because it is difficult to isolate the contribution of education relative to other driving factors that fuel instability. However, existing evidence has shown that “educational inequalities significantly heightened the risk of conflict.”¹⁴ Inequality in educational opportunity is often concomitant with deeper social inequalities and injustices. Additionally, perceptions of unfairness related to education can be a powerful source of grievance.

Such disparities in social, economic, and political arenas also tend to overlap with ethnic, religious, and subregional fault lines. In Sri

¹³ T. Fasih, “Linking Education Policy to Labor Market Outcomes” (Washington: The International Bank for Reconstruction and Development/The World Bank, 2008), 3.

¹⁴ Ibid., 166.

Lanka, Tamil youth's frustrations regarding the high unemployment was reinforced by wider grievances, including discrimination in the university admission process. The separatists in Indonesia's Aceh province bitterly complained that the central Indonesian government and Javanese migrants unfairly deprived them of their livelihood and impaired the education of their children. This discontent was fueled by a perception of unfairness in sharing the economic benefits generated by the oil and gas industry in Aceh. Most of the jobs created by the province's oil and gas boom went to more educated Javanese migrants rather than to the local Aceh populace.¹⁵

In these heightened-risk environments, schools and education can serve as a channel for the development of a peaceful society, as well as exacerbate the situation, depending on the policy insertion. Education can help alleviate the risk by creating opportunities for the marginalized segment of the population to develop skills, obtain employment, and improve their social status. An additional year of schooling can increase an individual's income by 10 percent, on average.¹⁶ An increased male enrollment from 30 percent to 81 percent in secondary schools seemed to reduce the probability of civil war by 67 percent.¹⁷ According to the UNESCO 2011 Report¹⁸, an increased primary school enrollment, from 77 percent to universal provision, reduced the likelihood of civil war by nearly 50 percent.

However, schools can also serve as the catalysts for social division and make societies more prone to violence. There have been several instances of government policies using the language of the dominant group as the national language of instruction. In such cases, the minority groups viewed the schools as a conduit for cultural domination. In Nepal, the non-Nepali-speaking castes and ethnic minorities strongly resented the imposition of Nepali as the

¹⁵ Ibid.

¹⁶ G. Psacharopoulos and H.A. Patrinos, "Returns to Investment in Education: A Further Update," *Education Economics* (2004), 12, 2: 111–134.

¹⁷ C.L. Thyne, "ABC's, 123's, and the Golden Rule: The Pacifying Effect of Education on Civil War, 1980-1999, *International Studies Quarterly* (2006), 50, 4: 733–754.

¹⁸ UNESCO, Education for All Monitoring Report, (2011) 163.

language of instruction in schools.¹⁹ This strong resentment over the language fed into the broader set of grievances and drove the society into a civil war. Also, language has been at the heart of the Malay Muslims' separatist movement in southern Thailand. Many Malay Muslims viewed the use of Thai as the primary language of instruction in schools as the central government's oppression of their cultural identity. The public schools and schoolteachers became the prime targets for violent attacks in southern Thailand.

While the imposition of a national language as the primary instructional language creates strong resentment from the other groups, a segregated education system perpetuates separate identity. If peace settlements are based on keeping segregated education systems, school systems can reinforce attitudes that splinter communities and create conditions for a relapse. The lack of a centralized education system can contribute to wide variation in quality of instruction and learning. This condition could undermine prospects for achieving socioeconomic parity. Additionally, a rigid separation of schools and students does not allow the children to develop a sense of appreciation and respect for diversity within the community.

Therefore, the national and provincial policies surrounding public education must be well thought through, especially in post-conflict environments. Involvement of multiple stakeholders, ministries beyond education, relevant institutions, subject-matter experts, and participants from the local communities, is crucial in formulating proper education policies that will steer the nation toward growth and stability.

APEC and Regional Education

APEC has been addressing the quality of higher education since 1992 through a subcommittee, the Education Network (EDNET), within the larger Human Resource Development Working Group (APEC HRD). This effort has been primarily to facilitate the port-

¹⁹ S. Gates and M.S. Murshed, "Spatial-Horizontal Inequality and the Maoist Insurgency in Nepal, *Review of Development Economics*, (2005), 9, 1: 121–134.

ability and compatibility of higher education diplomas among the APEC member economies. However, APEC should go beyond higher education, since existing studies indicate that investment in early childhood education yields higher labor market outcomes later.

In addition to EDNET, APEC also created the APEC Education Foundation (AEF), an organization established in 1995 to support and advance the cause of education and human resources development. The AEF promotes research and scholarship, educational cooperation, and community spirit in the Asia-Pacific region through grants and special initiatives. The Foundation works closely with the APEC Secretariat, the APEC Human Resources Development Working Group, the APEC Study Centers, and other partners of APEC. APEC members can leverage the AEF to create a platform on which best practices in education are shared and to find ways to cooperate, develop, and spread highly educated labor forces across the Asia-Pacific region.

Conclusion

Based on the evidence, a strong relationship exists between nations' development, economic growth, stability, and the education system. However, in many countries, the education system remains disconnected from growth and security policies. A poor education system undermines national economic interest by weakening countries' skill bases and hurts the countries' abilities to attract financial capital and investment. In time of economic crisis, it is counterproductive to cut national education budgets. Such measures have negative long-term implications for nations' future growth and development. Moreover, lack of parity within the education system creates inefficiencies, resentment, and discontent within the marginalized segment of the population. Such conditions can and have led to reduced growth, instability, and violence. More than any other regional organization, APEC has the foundational cooperative mechanisms to assist its members in formulating effective education policies to increase human capital for economic growth and stability for the region.

PART TWO: MAJOR ACTORS, EVOLVING PRINCIPLES AND REGIONAL ARCHITECTURE

Chapter Nine

Rouben Azizian

United States and the Asia-Pacific: Balancing Rhetoric and Action

Executive Summary

- The Obama administration's new major initiatives in the Asia-Pacific signal a recognition of the dramatic shift of economic and, inevitably, political and strategic power toward the region. They also emphasize the significant impact of the shift on America's economic growth and international leadership.
- The announcement of a US "pivot" or "rebalancing" toward Asia has led to heated debates and mixed reactions in the region with regard to its drivers and intentions. While Washington's long-term interest and involvement in regional affairs are generally welcomed, the rhetoric emanating from Washington has created certain confusion and led to misperceptions, especially in relation to China.
- Contrasting assertions that Washington's new regional initiatives are all about China or that they have nothing to do with China are ironically mutually inclusive. Given that China is the main, but surely not the only, driver of Asia's rise, any enhanced attention to the region, whether it is caused by emerging opportunities or challenges, is bound to have something to do with China.
- Interestingly, one of the most visible results of America's more pragmatic and less ideological approach to the region

has been democratization in Burma and the country's opening to the West.

- In the past, the US rhetoric on the importance of the Asia-Pacific was not always supported by adequate action. It is vital to be more consistent this time and equally important to prevent a reverse scenario when pragmatic and reasonable actions are misperceived due to a not-so-well-tuned rhetoric.

Introduction

In the fall of 2011 and early 2012, Barack Obama's administration announced it would be intensifying the US role in the Asia-Pacific region. As the American president stated in a November 2011 address to the Australian parliament, "The United States will play a larger and long-term role in shaping this region [the Asia-Pacific] and its future."¹ The announcement of a US "pivot" toward Asia has led to heated debates and mixed reactions in the region with regard to its motives and intentions. While Washington's long-term interest and involvement in regional affairs are generally welcomed, a streak of skepticism has set in as well. Ralph Cossa and Brad Glosserman from the Hawaiian-based Pacific Forum CSIS, argue that the only thing new about the US pivot toward Asia is the word "pivot." They find the "America is back" rhetoric troubling. First, there is the insinuation that a nation which "returns" has either left or might leave again, that its commitment comes and goes. Second, it confuses other governments in the region. Those who never questioned the US commitment still wonder what is behind this language. They also worry that a "surge" in the US presence is a cover for more aggressive and potentially destabilizing policies. They worry, too, that the US is preparing a more confrontational policy toward China.²

¹ The White House Office of the Press Secretary, "Remarks by President Obama to the Australian Parliament" (November 17, 2011), <http://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament>.

² Ralph A. Cossa and Brad Glosserman, "Return to Asia: It's Not (All) About China," *PacNet* (January 30, 2012), no. 7, <http://csis.org/publication/pacnet-7-return-asia-its-not-all-about-china>.

Is It All About China?

Over the past several years, China's growing capabilities and assertive behavior, particularly in the South China Sea, have been a source of anxiety in the Asia-Pacific and, over the long term, could pose serious security challenges to US national interests. The US government accepts that, given the two decades of neglect of its military following the initiation of its reform period in 1979, it was quite natural for China to modernize its military beginning in the mid-1990s. However, the lack of transparency, both in terms of capabilities and intentions, about the nature of its modernization program is a cause of concern. Washington urges Beijing to overcome its reluctance to forge a durable military-to-military dialogue and strengthen the Strategic Security Dialogue, which brings together military and civilian leaders to discuss sensitive issues such as maritime security and cybersecurity. The US leadership appreciates that Beijing has raised its international and regional profiles toward becoming a responsible stakeholder, but criticizes China for doing it selectively by picking and choosing when to participate constructively and when to stand apart from the international system. Overall, the Obama administration's perspective on China is, however, more optimistic than pessimistic, as recently confirmed by Secretary of State Hillary Clinton's remarks:

"Today's China is not the Soviet Union. We are not on the brink of a new Cold War in Asia... That requires adjustments in thinking and approaches on both sides. Geopolitics today cannot afford to be a zero-sum game. A thriving China is good for America and a thriving America is good for China, so long as we both thrive in a way that contributes to the regional and global good... We will only succeed in building a peaceful, prosperous Asia-Pacific if we succeed in building an effective US-China relationship."³

³ Forrestal Lecture at the Naval Academy, Remarks by Hillary Rodham Clinton, Secretary of State (Annapolis, April 10, 2012), <http://www.state.gov/secretary/rm/2012/04/187693.htm>.

Do Republicans Have a Different Plan?

Despite a polarized political debate in the United States on a range of issues, there seems to be a very strong bipartisan core of support for American engagement in the Asia-Pacific region to include strong bilateral alliances, robust economic engagement, and forward deployed military and security commitments. Even on China, despite using a tougher rhetoric than the Obama administration can afford, the Republicans are not offering any alternatives to the current engagement policies. The Republican presidential nominee Mitt Romney's foreign-policy program states, for example, that "while the potential for conflict with an authoritarian China could rise as its power grows, the United States must pursue policies designed to encourage Beijing to embark on a course that makes conflict less likely and continues to allow cooperation with the United States, economic opportunity, and democratic freedom to flourish across East Asia. Mitt Romney will implement a strategy that makes the path of regional hegemony for China far more costly than the alternative path of becoming a responsible partner in the international system."⁴

Continuity and Change

The debate on the Obama administration's regional initiatives is useful but tends to lean to one or the other extreme, such as "there is nothing new in it" or "it is all about China." The reality is more balanced than the rhetoric. Much of the pivot to the Asia-Pacific is a continuation and expansion of policies already undertaken by previous administrations, as well as earlier in Obama's term. At the same time, the shift to the Asia-Pacific has new features.

As part of a plan to expand the US presence in the southwestern Pacific and make it more flexible, the Obama administration has announced new deployments or rotations of troops and equip-

⁴ Fact Sheet: Mitt Romney's Strategy to Ensure an American Century, (October 7, 2011), <http://www.mittromney.com/blogs/mitts-view/2011/10/fact-sheet-mitt-romneys-strategy-ensure-american-century>.

ment to Australia and Singapore. US officials have also pledged that planned and future reductions in defense spending will not come at the expense of the Asia-Pacific. Additionally, underlying the pivot is a broader geographic vision of the Asia-Pacific region that includes the Indian Ocean and many of its coastal states.

In sum, the Obama administration's increased emphasis on the Asia-Pacific region appears to have been prompted by four major developments:

- Growing economic importance of the Asia-Pacific region, particularly China, to the United States' economic future;
- China's growing military capabilities and its increasing assertiveness of claims to disputed maritime territory, with implications for freedom of navigation and the United States' ability to project power in the region;
- The winding down of US military operations in Iraq and Afghanistan;
- Efforts to cut the US federal government's budget, particularly the defense budget, which threaten to create a perception in Asia that the US commitment to the region will wane.⁵

Six Lines of Action

One of the most important tasks of American statecraft over the next decade will be to lock in a substantially increased investment, diplomatic, economic, strategic, and otherwise, in the Asia-Pacific region. With this in mind, the Obama administration has announced six key lines of action: strengthening bilateral security alliances; deepening working relationships with emerging powers, including China; engaging with regional multilateral institutions; expanding trade and investment; forging a broad-based military presence; and advancing democracy and human rights.⁶

⁵ Pivot to the Pacific? The Obama Administration's "Rebalancing" Toward Asia, *Congressional Research Service* (March 28, 2012), <http://www.fas.org/sgp/crs/natsec/R42448.pdf>.

⁶ "America's Pacific Century" Op-Ed, Hillary Rodham Clinton, Secretary of State, *Foreign Policy Magazine* (October 11, 2011), <http://www.state.gov/secretary/rm/2011/10/175215.htm>.

Strengthening Bilateral Security Alliances

America's treaty alliances with Japan, South Korea, Australia, the Philippines, and Thailand will remain the fulcrum for its strategic turn to the Asia-Pacific. The alliances have leveraged the United States' regional presence and leadership, but need to be updated for a changing world. In this effort, the Obama administration is guided by three core principles: maintain political consensus on the core objectives of the alliances, ensure that the alliances are nimble and adaptive so they can successfully address new challenges and seize new opportunities, and guarantee that the defense capabilities and communications infrastructure of the alliances are operationally and materially capable of deterring provocation from the full spectrum of state and non-state actors.

The United States and Japan have agreed to a new arrangement, including a contribution from the Japanese government of more than \$5 billion, to ensure the continued, enduring presence of American forces in Japan, while expanding joint intelligence, surveillance, and reconnaissance activities to deter and react quickly to regional security challenges, as well as information sharing to address cyber threats. The most acute problem in US-Japan relations is in Okinawa, which hosts 80 percent of the US military facilities in Japan. Efforts by the US and Japanese governments to reduce that footprint have been problematic and are in the process of difficult negotiations.

The United States and the Republic of Korea have agreed on a plan to ensure the successful transition of operational control to Seoul during wartime and have ensured a successful passage of the Korea-US Free Trade Agreement. The United States welcomes South Korea's growing regional and international role and the ROK government's efforts to realize the "Global Korea" vision of expanding its global reach to be commensurate with its economic status. Washington and Seoul continue to hold regular joint military exercises to enhance extended deterrence, interoperability, and the readiness of alliance forces. In budgetary terms, the number of US troops sustained both in Japan and Korea, may, over time, prove to be more of a drain on US flexibility. In the case

of South Korea, there have been concerns in the United States about the high cost of measures to move US military units to more defensible facilities away from the demilitarized zone.

The alliance with Australia has been evolving from a Pacific partnership to an Indo-Pacific one. Washington and Canberra closely consult with each other on key regional issues and ways to strengthen the regional architecture in the Asia-Pacific. They are also considering an increased combined naval presence and capabilities to respond more readily to humanitarian disasters; improved Indian Ocean facilities and expanded training exercises for amphibious and land operations. Within Australia itself, there is a vigorous debate on increased military cooperation with the United States, and particularly on the deployment of 2,500 US Marines in Australia. The critics believe that the US Marines' deployment decision will have deep consequences for Australia's relations with China, and that, in Washington and in Beijing, this will be seen as Australia aligning itself with an American strategy to contain China.

Alliances with the Philippines and Thailand are also being enhanced, but pose more serious challenges. Washington is increasing the number of ship visits to the Philippines, assisting Manila in naval modernization and working to ensure the successful training of Filipino counterterrorism forces. In Thailand, America's oldest treaty partner in Asia, the two countries are working to establish a hub of regional humanitarian and disaster relief efforts.

The United States could be drawn into a China-Philippines conflict because of its 1951 Mutual Defense Treaty with the Philippines. American officials insist that Washington does not take sides in the territorial dispute in the South China Sea and refuse to comment on how the United States might respond to Chinese aggression in contested waters. An apparent gap exists between American views of US obligations and Manila's expectations. Senior Filipino politicians publicly criticized the United States over its "silence" on the Scarborough Shoal standoff between Philippine Navy and Chinese fishing vessels on April 8, 2012.

The political instability in Thailand and diverging strategic priorities have contributed to some degree of drift in the overall US-Thailand relationship. Although the alliance remains central to Thailand's foreign policy, and the United States reiterates the strategic value of Thailand's military facilities, observers on both sides point to unease. The Obama administration's emphasis on building stronger relations with Indonesia signals to some Thai observers that Thailand is being displaced as the chief US partner in the region. Differing threat perceptions about China, and Thailand's increased military cooperation with Beijing, also contribute to a sense that the alliance, while institutionally sound, suffers from a lack of strategic alignment.⁷

Overall, the "hub-and-spoke" alliance structure has served the United States and its allies well for the past six decades. Yet the transnational nature of current Asia-Pacific security challenges highlights the limitations of bilateral US-ally relationships to handle regional security threats, particularly when relations between the allies are far from smooth. This is why the United States is promoting minilateral and multilateral networking between the allies. Some commentators are even proposing an informal Alliance Caucus that could address concerns relevant not just to the United States and its allies, but to the region as a whole.⁸

Deepening Working Relationships with Emerging Powers

America's outreach to China, India, Indonesia, Singapore, New Zealand, Malaysia, Mongolia, Vietnam, Brunei, and the Pacific Island countries is all part of a broader effort to ensure a more comprehensive approach to American strategy and engagement in the region. Increased interactions with India and Indonesia are particularly notable, given the rapidly rising regional influence of the two nations.

⁷ Thailand: Background and US Relations, Congressional Research Service (February 8, 2012), <http://www.fas.org/sgp/crs/row/RL32593.pdf>.

⁸ See, for example, Nicole Forrester, "Time for an Alliance Caucus," *PacNet*, (March 27, 2012), no. 20, <http://csis.org/publication/pacnet-21-time-alliance-caucus>.

The Obama administration has expanded its bilateral partnerships with India, actively supports India's Look East efforts, and has outlined a new vision for a more economically integrated and politically stable South and Central Asia with India as a linchpin. In recent years, the United States and India have significantly broadened their defense cooperation, as demonstrated by a robust engagement in bilateral dialogues, military exercises, and personnel exchanges, as well as nearly \$9 billion in defense trade since 2008. There is, however, strong feeling in Washington that India has made no corresponding gesture in return for the big vision that presidents Obama and Bush have offered the Indian leadership and that India is still quite ambiguous about the priority it places on its future with the United States. India is expected to be more supportive on difficult issues, such as Iran, and also on Afghanistan, where key differences seem to have emerged between the United States and India regarding the political endgame.⁹

The United States and Indonesia have resumed joint training of Indonesian special forces and signed a number of agreements on health, educational exchanges, science and technology, and defense. Indonesia's adoption of a new democratic foreign policy plank creates opportunities for the US and Indonesia to cooperate on democracy promotion efforts. However, the two countries are still caught up in bureaucratic impediments, lingering historical suspicions, and gaps in understanding each other's perspectives and interests.¹⁰ Human rights activists voice worries about alleged abuses by Kopassus, particularly in West Papua, and challenge Washington's assertion that the special forces have undergone, as the new Pacific Command Commander Admiral Samuel Locklear put it, a "near-complete transformation."¹¹

⁹ R. Nicholas Burns, "India Lets U.S. Down on Iran," *Indian Defence*, February 20, 2012), <http://www.indiandefence.com/forums/f5/india-lets-u-s-down-iran-14968>.

¹⁰ Ann Marie Murphy, "Democratization and Indonesian Foreign Policy: Implications for the United States," *Asia Policy* 13 (January 2012), <http://nbr.org/publications/element.aspx?id=573>.

¹¹ Nomination of Admiral Samuel J. Locklear to be Commander of the U.S. Pacific Command, Committee on Armed Services, U.S. Senate (February 9, 2012), <http://armed-services.senate.gov/Transcripts/2012/02%20February/12-01%20-%202012-9-12.pdf>.

Engaging with Regional Multilateral Institutions

One of the most visible changes in the United States' regional policies has been the Obama administration's decision to fully engage the region's multilateral institutions as a way of supplementing, but not supplanting, America's important bilateral ties. The United States has opened a new US mission to ASEAN in Jakarta and signed the Treaty of Amity and Cooperation with ASEAN. The United States joined the East Asia Summit, and president Obama participated in its November 2011 meeting. While Washington is displaying more patience with the regional pace of regionalism, it continues to focus on developing a more results-oriented agenda, especially in efforts to address disputes in the South China Sea. The United States considers APEC the Asia-Pacific's premier regional economic institution, which has become even more important in terms of helping expand US exports and create and support high-quality jobs in the United States.

At the same time, the increased interest in regional multilateralism poses new challenges for the United States in terms of prioritizing its level of participation in these organizations, as well as allaying emerging fears that the major powers are likely to undermine the ASEAN's current central role in regional institution building. The United States' absence in some of the regional groupings and organizations, such as ASEAN+3 (APT) or the Shanghai Cooperation Organization, is seen by some as potentially problematic and marginalizing the United States' role in time.

Expanding Trade and Investment

Economics and trade are both causes of and instruments for the pivot toward the Asia-Pacific. The region plays a crucial role in president Obama's National Export Initiative. Four of the ten emerging export markets targeted in the 2011 National Export Strategy, particularly China, Indonesia, India, and Vietnam, are part of the Asia-Pacific region. In 2011, American exports to the Pacific Rim totaled \$320 billion, supporting 850,000 American jobs.

The United States' regional trade policy combines promotion of bilateral free agreements with participation in the multilateral Trans-Pacific Partnership (TPP), which brings together economies from across the Pacific, developed and developing alike, into a single trading community. The United States' leadership role in TPP is an important element of its reassurance of being a major force in the region's economic and geopolitical dynamics.

The negotiation process for the TPP is, however, facing serious challenges, with the United States encountering resistance to its proposals regarding intellectual property rights and investor-state disputes. Some of the countries are pushing the United States to offer greater access to US markets, particularly agricultural markets, such as dairy products and sugar. It is also unclear what impact the TPP will have on US interest and participation in APEC. It appears that the administration regards the former as the lead entity, with the latter a forum for exploring topics that traditionally have not been part of trade agreements.¹²

One of the most glaring things about TPP is that it does not include China, Asia's biggest trading nation. That could be, as US officials say, because China, with its state-owned enterprises, piratical tendencies and questionable currency policy, is not yet ready to join such a high-level agreement. The critics, however, counter-argue that Vietnam, hardly a paragon of free-market capitalism, is one of nine negotiating countries. They assert that America's design for Asian trade is inspired by the goal of containing China, and the TPP template effectively excludes its membership.¹³

Forging a Broad-based Military Presence

Despite the reductions in planned levels of US defense spending, the United States intends to maintain and strengthen its military presence in the Asia-Pacific. This element of the pivot to Asia has understandably been the most controversial. China and many re-

¹² Pivot to the Pacific? The Obama Administration's "Rebalancing" Toward Asia, *Congressional Research Service* (March 28, 2012), <http://www.fas.org/sgp/crs/natsec/R42448.pdf>.

¹³ Jagdish Bhagwati, "America's Threat to Trans-Pacific Trade," *Project-Syndicate* (December 30, 2011), <http://www.project-syndicate.org/commentary/america-s-threat-to-trans-pacific-trade>.

gional experts see it as primarily driven by the rise of China's military power. Washington's interpretation of the new defense strategy is much broader. It is argued, for example, that the importance of US economic interests in the Asia-Pacific region has significant security and military implications. With an increasing volume of US exports and imports flowing in and out of the region, it has become critical that the United States maintain free navigation from the Arabian Sea across to the eastern edge of the Pacific Ocean.

The US defense posture in Asia is shifting to one that is more geographically distributed, operationally resilient, and politically sustainable. For example:

- More geographically distributed in the Asia-Pacific means to enhance US presence throughout the region by capitalizing on opportunities in Southeast Asia and the Indian Ocean to help better protect sea lines of communication.
- Operationally resilient means that the US has an advantage across a range of contingencies through greater hardening, redundancy, responsiveness, and dispersal of capabilities as well as by having more flexible defense agreements and more predictable and sustainable basing arrangements that enable greater protection of military capabilities.
- Political sustainability means ensuring that the US presence is acceptable to host nations and local populations in the region over the long term.¹⁴

Advancing Democracy and Human Rights

This line of action is the last on the list of priorities but has been one of the most effective so far. Publicly, the Obama administration has been assuring the region that, even more than America's military might or the size of its economy, the United States' most potent asset is its "steadfast support for democracy and human rights." However, the current US administration's more

¹⁴ Written Statement of R. Michael Schiffer, Deputy Assistant Secretary of Defense, East Asia, Armed Services Subcommittee on Readiness (15 March 2011), <http://www.dod.mil/dodge/olc/docs/test/Schiffer03152011.pdf>.

pragmatic and less ideological international and regional stance, compared to the previous US administration's, has toned down Washington's rhetoric in support of democracy and human rights. The changed style also confirms that the United States does not want to complicate its bilateral relations with China, a notorious violator of human rights. At the same time, as the recent, unprecedented developments in Burma indicate, a more subtle support of democracy and human rights in conjunction with geopolitical calculations, such as leveraging the Burmese military junta's fear of overdependence on China, as well as improved consultations with regional actors, such as ASEAN, can be much more effective in promoting democracy and human rights. While managing democratic aspirations in Burma and in the region broadly will continue to present challenges to current and future US administrations, there are already signs of a possible "domino effect" of Burma's opening. The Vietnamese leadership, for example, seems to be disturbed by developments in Burma. With Burma looking less and less like a police state, Hanoi fears unwanted scrutiny. If Burma improves on human rights and gets rewarded, Vietnam would need to meet the same standards," notes Carl Thayer, a Vietnam expert at the Australian Defense Force Academy.¹⁵

Conclusion

The relationship between rhetoric and action is always complex and unpredictable. In the case of Burma, it has clearly demonstrated the advantage of region-sensitive actions over ideological inflexibility. The future will show how many of the Obama administration's stated Asian goals will become a reality and how many will be remembered as mostly rhetorical.

¹⁵ Dustin Roasa, "The Terrible Tiger," *Foreign Policy* (April 17, 2012), http://www.foreignpolicy.com/articles/2012/04/17/the_terrible_tiger#.T5DESdPssm0.email.

Russia, Japan, and the Asia-Pacific

Executive Summary

- At the beginning of the second decade of the 2000s, Russia-Japan relations remain, in general, in the same shape they were during the later part of the first decade. At some stage, Japan was indicating interest in playing a counter-balancing role in Russia's relations with China, but that has not yet materialized.
- Despite growing economic interaction with Russia, Japan has been lagging behind China and even South Korea in developing economic ties with Russia. However, the current economic and trade volumes provide Russia and Japan a significant potential to develop both bilateral relations and cooperation at a multilateral level in the Asia-Pacific region.
- Energy remains the most promising area for bilateral economic cooperation, from LNG to electricity supplies. Nuclear safety and disaster-monitoring and prevention measures have come to the forefront of bilateral and multilateral cooperation in the wake of the Fukushima disaster.
- Russia sees the APEC 2012 summit in Vladivostok as an opportunity to improve her stance as an important player in the region and as a member of APEC in particular. Among Russia's declared priorities for the summit and beyond are support for further liberalization of trade and investment in the Asia-Pacific, deeper economic integration, joint efforts to encourage "innovative growth" in the region, improvement of transport and logistics systems, and food-supply security. In all of the above-mentioned areas, cooperation with Japan is quite important and has great potential.

- Establishing some form of cooperation with the Northeast Asian “troika” (China, Japan, and South Korea) is a matter of first priority for Russia, as its current economic ties with Pacific Asia are predominantly concentrated on China, Japan, and South Korea. That is why a broad dialogue with Japan is necessary for Russia, as Japan is a key player in various multilateral formats in the Asia-Pacific region.
- The territorial issue remains a factor that can poison the atmosphere of bilateral relations at any time. But the experience of Russia-Japan relations in the past twenty years has shown that, when mutual interests exist, no political problem is an obstacle to economic cooperation.

Current State of Bilateral Relations

In recent years, we have witnessed new developments in domestic political and economic situations in many countries in the region, in bilateral relations between them, in various formats of regional economic and political integration processes. Still, if we take a glance at the current state of Russia-Japan relations, they look almost the same as they did six to seven years ago, even despite some movement ahead.

After the disintegration of the Soviet Union, Russia-Japan bilateral relations initially experienced marked improvement, particularly in the political and cultural fields. The revival of economic ties followed much later.¹ However, any further developments that occurred in recent years cannot be described as impressive, except for the rising volume of bilateral trade. One may argue that Russia-Japan relations had succeeded in reaching a more advanced stage compared to the USSR-Japan relations, especially in spheres other than economic, during the first ten to fifteen years of new Russia’s existence, but since then, those relations have failed to move much higher.

¹ See V. Amirov. “Japan and Asia-Pacific: A Russian Perspective,” in *Russia, America, and Security in the Asia-Pacific*, ed. by Rouben Azizian and Boris Reznik (Honolulu: Asia-Pacific Center for Security Studies, 2006), 112–123.

The economic issues obviously draw particular attention, keeping in mind the APEC summit scheduled to be held in Vladivostok in September 2012. However, while assessing Russia-Japan relations, it is impossible not to mention the long-standing territorial issue between two countries and its influence over all aspects of their ties.

It would not be an exaggeration to say that, theoretically, Russia and Japan have significant potential to develop both bilateral economic ties as well as cooperation within the Asia-Pacific multilateral institutions of which they are members. Russia would also like to be engaged – hopefully not in a distant future – in economic integration processes that are proceeding between the countries of the Northeast Asian “troika” (China, Japan, and South Korea). There are some other multilateral formats as well, which are of interest to Russia. But whether it is possible for Moscow to realize its desire to participate in those arrangements with Japan’s support anytime soon remains unclear.

For some time in the past, there were hopes on the Russian side that economic interaction with Japan would provide an opportunity for Russia to balance growing ties with China, and to make economic ties with Northeast Asia more diversified. Tokyo, for its part, made some attempts to fuel those hopes, pretending that it could really play a role of counter-balancer vis-à-vis China. So far, those hopes have proven to be unfounded. At some point, especially in the context of the Eastern Siberia - Pacific Ocean (ESPO) oil-pipeline project, Tokyo made statements apparently designed to make an impression that there is a Japanese option which could replace the Chinese market for Russian oil. Yet, after wondering about this option for a couple of years, Japan did not offer any viable alternative in the end. That is why this led to speculation that the only purpose of Japan’s political maneuvering around the ESPO project was to prevent or to hold back its implementation.

However, some experts continue to argue that Japan can play the role of a counter-balancer for Russia’s relations with China: “It

is also worthwhile to note that Japan represents a natural counterweight to mighty and rapidly growing China, a fact which may turn out to be of major importance in the context of future economic rivalry in the world, in general, and in East Asia, in particular.”² Usually it is accompanied by suggestions that Russia should make some concessions (meaning territorial) to Japan.

Despite a complicated picture of Russia-Japan relations, one has to acknowledge some positive developments in bilateral ties in recent years and existing opportunities to advance them further.

First of all, let us analyze the bilateral trade that currently serves as a basis for economic ties between the two countries.

After a decline during most of the 1990s, Russia-Japan trade started to recover in 2003 and since then has been on the rise. The upward trend was briefly interrupted by the global financial crisis of 2008-2009, but in 2011 the volume of bilateral trade slightly surpassed the previous record reached in 2008. Japan continues to rank second, following China, among Russia’s trading partners in Pacific Asia.

But Japan is lagging behind China and even South Korea in developing trade with Russia. In 1995, for example, Russia’s trade with China and Japan was almost equal, both in export and import. But, between 1995 and 2011, Russia’s exports to China have increased sixteen times, while, to Japan, only 4.6 times. During the same period, Russia’s imports from China have risen almost 56 times, imports from Japan, 19 times. Russia’s exports to South Korea have gone up almost 18 times, imports from South Korea, 23 times.³

In 1995, the official figure for Russia’s overall trade with China was U.S. \$42 billion (not including U.S. \$1 to 3 billion in shuttle trade between the two countries, which was mainly unaccounted

² Andrey Borodaevskiy, “Democracy and Growth: Russia’s Great Challenge,” *The Japan Times* (Jan. 17, 2012) Professor Borodaevskiy, an expert on world economy and international economic relations, was a professor at Seinan Gakuin University, Fukuoka, from 1994 to 2007, and, after retirement, returned to Russia.

³ Russian Federation Custom Statistics (1995–2011), available at: <http://www.customs.ru/>.

for in official statistics). At the same time, Russia's trade with Japan was U.S. \$3.9 billion (excluding illegal exports of fish and fish products from Russia to Japan, which are estimated between U.S. \$0.7 billion and U.S. \$1 billion), and with South Korea (U.S. \$1.2 billion). In 2011, Russia's respective trade figures were U.S. \$83.5 billion for China, U.S. \$29.7 billion for Japan, and U.S. \$25 billion for South Korea.⁴

One of the reasons for the above-mentioned phenomenon is that the scope of bilateral trade between Russia and Japan is limited to a few items, such as oil and petroleum products, aluminum, energy, and transport machinery (mostly cars).

Another weak point in bilateral economic interaction is that the growing trade volumes are not matched by rising investment flows between the two countries. Unfortunately, Japanese investment in Russia's economy remains at a very low level and Russia's investment in Japan's economy is almost nonexistent.⁵ It is difficult to expect that investment flows between the two countries will shoot up in the near- or mid-term future.

If we look beyond trade, it could be surprising to some that compared to Japan, South Korea has succeeded in establishing more comprehensive economic ties with Russia even though Japan, a much larger economy, might seem to have a larger capacity for developing these economic relations. This trend applies to both trade and investment. Investment is of particular importance, taking into account Russia's interest in obtaining foreign technology, though that interest has arisen so far mostly from the Russian government and its plans to modernize the country's economy.

Thus far, compared to Japan, South Korea (both government and business) has shown more eagerness to develop economic ties

⁴ Russian Federation Custom Statistics (1995–2011), available at: <http://www.customs.ru/>.

⁵ At the end of 2010, Japanese accumulated direct investment in Russia stood at US\$1.2 billion (0.1 percent of all Japanese outward direct investment). Russia's investment in Japanese economy is even less than statistical discrepancy., JETRO Global Trade and Investment Report (2011), 117, 122.

with Russia, to explore already existing opportunities for it, and to create new ones.

That is why we can conclude that, in Northeast Asia the most important area in the Asia Pacific for Russia both economically and politically, Russia's economic ties with China and South Korea are developing faster than Russia's economic ties with Japan. Despite this obvious fact, Russia maintains an interest in broadening economic interaction with Japan. There is an obvious reason for it, namely, Japan's huge economic, investment, and technological potential.

The territorial issue remains a factor that can worsen the atmosphere of bilateral relations at any time. In 2006, the Russian government approved the federal program for "Socio-economic development of the Kuril Islands for the period of 2007–2015." It was a clear signal that Moscow finally decided to pay attention to the social and economic situation in that remote and, for a long time, neglected region. The program is aimed particularly at developing social and industrial infrastructure on the islands and was designed to significantly improve transport and other communication links between the Kuril Islands and the Russian mainland.

This program irritated Tokyo, as the disputed South Kuril Islands were part of that document. President Dmitri Medvedev visited Kunashir Island in November 2010, despite (or maybe because of) diplomatic protests expressed by the Japanese side and Tokyo's "recommendations" not to do it. After the Russian president's trip to Kunashir, two vice premiers and at least five ministers (including the minister of defense) visited the South Kurils during 2010–2011. Those visits and Tokyo's reaction (both government and non-government) to them added a lot of tension to the bilateral relations.

Closer to the end of 2011, we have witnessed some kind of conciliatory mood on the islands issue on both sides and tension has subsided for the time being. The idea of cooperation between the two countries in the economic development of the Kuril Islands,

which had already been around for quite a long time, was put forward by Moscow again. It remains to be seen whether Japan can decide to move forward on such cooperation without retreating from its long-standing, uncompromising position on the territorial issue.

APEC Summit in Vladivostok and Russia-Japan Cooperation

Russia sees the APEC 2012 summit in Vladivostok as an opportunity to improve her stance as an important player in the region and as a member of APEC in particular. The country is eager to increase its international prestige in the region, particularly as Russia has increased efforts to become a member of the Asia-Pacific community with substantive regional presence. While preparing for the summit, the federal government is making great efforts to invest in the improvement of the infrastructure in the city of Vladivostok and the Russian Far East to make it easier to encourage foreign investment into Pacific Russia's economy. A successful summit is clearly important for Russia as a whole, but it is even more important to maintain the momentum for further socioeconomic development of the Russian Far East, using cooperation in trade, investment, and technology exchanges with neighbors in the region.

Among Russia's declared priorities for the summit and beyond are support for further liberalization of trade and investment in the Asia-Pacific, deeper economic integration, joint efforts to encourage "innovative growth" in the region, improvement of transport and logistics systems, and food-supply security.⁶

In all of the above-mentioned areas, as well in some others of interest to Russia, cooperation with Japan is quite important and has great potential. But, of course, all that potential can be realized only if there is a reciprocal desire on the Japanese side to exploit it.

Russia is working on the formation of "modernization alliances" in high-tech industries with Japan as well as China, India, South

⁶ Interview by Deputy Foreign Minister A. Borodavkin to "Kommersant" newspaper, November 29, 2011, available at: http://www.mid.ru/brp_4.nsf/0/D8E7F804D6E48D1A4425795700280D74-29-11-2011.

Korea, Singapore, and Australia.⁷ All these countries are members of the East Asia Summit (EAS), which Russia joined in 2011 together with the United States. Russia also expressed her intention to take a closer look at the Trans-Pacific Partnership (TPP) project being promoted by the United States. As Japan has recently started consultations with countries that already are in the process of the TPP negotiations, it would be useful for Moscow to exchange views with Tokyo on that matter.

Russia is keen to be a part of some particularly important formats of economic cooperation in Pacific Asia. Of course, it is important to be in APEC to be engaged in the region and also become part of the process of economic liberalization in the region (trade in goods and services, investments flows, and transfers of technology, labor migration, etc.). It is also important to be a member of EAS, which is, so far, a predominantly political organization discussing issues of strategic importance for the region, including economic security. However, establishing some form of cooperation with the Northeast Asian “troika” (China, Japan, and South Korea) is a matter of first priority for Russia, as its current economic ties with Pacific Asia are predominantly concentrated on China, Japan, and South Korea. That is why a broad dialogue with Japan is necessary for Russia, as Japan is a key player in various multilateral formats in the Asia-Pacific region.

New Emerging Opportunities

In December 2011, Russia moved into the final stage of joining the WTO after an eighteen years’ saga of negotiations. Russia’s membership in the WTO will provide an opportunity for the country to be engaged in the FTA development process in the Asia-Pacific, where there are many cross-regional FTA initiatives (bilateral and multilateral). Even before December 2011, Russia

⁷ Ibid.

started to explore a possibility to conclude FTAs with New Zealand, Singapore, and Vietnam. Since conducting preliminary negotiations with New Zealand, Russia has established the Customs Union with Belarus and Kazakhstan. That is why FTA should now be concluded between New Zealand and the Russian-led Customs Union. It seems likely that this FTA will come into being before the end of 2012 or early in 2013. Russia also plans to enter the same kind of negotiations with ASEAN soon.

Taking into account that Japan's importance as Russia's trade and economic partner is growing, we may expect that after Russia finally becomes a member of the WTO, an opportunity will emerge to start negotiations between the two countries to conclude an FTA or Economic Partnership Agreement (EPA). It could include a clause on investment protection, which, if realized, would help improve the levels of protection and liberalization of investment and make it easier for Japanese and Russian companies to do business in the respective countries.

So far, Japan's approach toward an FTA/EPA with Russia has been formulated the following way: "Any comprehensive move to strengthen economic relations, such as through an FTA, would be considered after the strengthening of relations through realization of individual projects."⁸

Energy remains the most promising area of bilateral economic cooperation, from LNG to electricity supplies from Russia to Japan. After the Fukushima nuclear disaster of March 2011, Russia expressed its readiness to provide additional short-term supplies of energy to Japan as emergency assistance. In the long term, Russia would be interested in adding LNG supplies from other sources, such as Eastern Siberia, to the existing LNG supplies from Sakhalin Island.

⁸ From Japan's FTA Strategy (Summary), Economic Affairs Bureau, Ministry of Foreign Affairs, October 2002, available at: <http://www.mofa.go.jp/policy/economy/fta/strategy0210.html>.

Japan is currently going through economic restructuring, which is encouraged or caused (or both) by a high yen exchange rate and the consequences of the Fukushima nuclear disaster. That could push Japan toward more economic cooperation with Russia in various fields.

For example, Russia has already been suggesting for some time that it export electricity to Japan, but Japan has shown no interest in importing electricity from Russia. Some experts say the reasons for the reluctance to cooperate with Russia in the electricity area are mostly political, as a possible electricity exporting grid would go through the disputed islands. It remains unclear whether, even after the Fukushima disaster, Japan is ready to embrace the idea of importing electricity from Russia, as China has recently done.

Japan is a promising customer for Russia's energy exports, as Moscow tries to diversify its export markets away from Europe into the Asia-Pacific region. Russia views the establishing of multilateral cooperation in the energy sector as a means to raise its profile in the Asia-Pacific. That is why Russia needs cooperation with as many countries as possible, including China, Japan, South Korea, and others further south.

Both Russia and Japan should have mutual interests in cooperation in energy saving, although for different reasons. Russia is still suffering excessive energy consumption per capita of GDP due to the inefficiency of its economy. In its turn, Japan faces a challenge to balance energy needs and supplies after the Fukushima disaster. Russia can help to replace the inevitable reduction of the nuclear power share in Japan's energy balance with additional energy supplies. For its part, Japan can assist Russia with the transfer of energy-saving equipment and help the Russian economy to become more energy-effective.

The Fukushima disaster has made it absolutely necessary to develop cooperation in enhancing security measures at nuclear plants and to have mechanisms of information exchange in case of emergency. It can also be bolstered with a mechanism of emergency

energy supplies to prevent disruptions in the functioning of industries and social infrastructure.

Russia and Japan have mutual interests in a broad disaster-prevention mechanism, particularly in areas of immediate interest to both, and could also cooperate in such areas as space monitoring. In the wake of the Fukushima disaster, cooperation between the two states may concentrate on the improvement of nuclear-plant safety and joint ventures in third countries, to develop the nuclear-energy industry there.

Apart from energy security, food-supply security is gaining attention, and Russia would be able to offer major opportunities for neighboring countries to invest in agriculture in Pacific Russia to supply domestic markets of Japan, South Korea, and possibly China in the more distant future.

Russia is ready for a comprehensive economic cooperation with Japan, and the bilateral experience of the past twenty years has shown that when there are mutual interests, no political problem can obstruct the natural need for cooperation.

Chapter Eleven

Jeffrey W. Hornung

Japan and the Asia-Pacific

Executive Summary

- Economically, Japan benefits from regional growth, but domestic challenges cause its economy to struggle against other rapidly growing countries. Particularly problematic are Japan's high yen, increasing resource scarcity, demographic change and government debt.
- Regional militaries are rapidly changing, bringing with them security challenges for Japan. Particularly challenging are the growth and modernization of China's military, North Korea's nuclear weapons and missile programs, and increasing Russian activity in the Far East.
- Japan is prioritizing a mix of methods to minimize these challenges. Economically, the mix includes increasing taxes, creating trade agreements, and engaging in multilateral trade forums. In the security realm, it includes developing dynamic defense forces, continued reliance on the U.S.-Japan alliance, strengthening other bilateral relationships, and participating in multinational efforts.
- Japan is a committed member of APEC and has consistently provided funds for APEC projects. However, because APEC did not meet Tokyo's expectations in terms of trade liberalization, Japan has put greater emphasis on other economic partnership agreements. Japan continues to place a priority on APEC as a means to consult major regional players and promote open regional economic co-operation.

Introduction

Japan remains focused on reconstruction from the March 11, 2011 Great East Japan Earthquake, which killed or left missing about 20,000 people. However, it must do so at the same time the Asia-Pacific region is undergoing profound changes that pose economic and security challenges to Japan.

Economically, Japan benefits from regional growth, but domestic challenges mean that its economy continues to struggle vis-à-vis other rapidly growing countries, such as India and China. While Japan's per capita GDP still ranks far above other economies and remains the second largest contributor to organizations like the IMF, World Bank, and UN, in 2011 Japan suffered its first trade deficit since 1980. Two factors contributed to this: a high yen and increasing resource scarcity. These will continue to challenge Japan in addition to demographic change and government debt.

Similarly, regional militaries are rapidly changing. While Japan maintains one of the most modern militaries in Asia, regional changes bring with them security challenges. Specifically, Japan is challenged by the growth and modernization of China's military, North Korea's nuclear weapons and missile programs, and increasing Russian activity in the Far East.

While the challenges are numerous, Japan is prioritizing a mix of methods to minimize their impact. Economically, this includes increasing taxes, moving forward on trade agreements, and engaging in multilateral trade forums. In the security realm, it includes developing Dynamic Defense Forces, continuing reliance on the US-Japan alliance, strengthening bilateral relationships with key regional states, and participating in multinational efforts. While there is no guarantee it will be successful in tackling all of the challenges, Japan will undoubtedly continue to make active efforts to minimize their effects.

Economic Challenges

Yen

Despite the devastating March 2011 disasters, Japan's yen appreciated, peaking at a postwar high on October 31 at 75.32 yen to the US dollar. Economists believe the primary driver was the ongoing financial uncertainty stemming from the European sovereign debt crisis and continuing financial problems in the U.S. Both problems sent traders to the yen, considered a safe haven currency.

The yen's rise had a deleterious effect on Japanese exports. Concerned voices in Japan have begun to worry reduced profits could motivate firms to move production overseas, thereby hollowing out Japan's manufacturing sector. Other worries include the loss of jobs and the shuttering of small- and mid-size companies. It is precisely because of these fears that the Bank of Japan conducted multiple interventions in the exchange rate market in 2011. While the interventions had little effect, the worst appears over as the fiscal situations in Europe and the United States are improving. As long as this trend continues, the yen will continue to weaken.

Resources

As a direct result of the ongoing problems at the Fukushima nuclear power plant, the Japanese government has been shutting down nuclear plants nationwide when they go offline for regularly scheduled maintenance. Currently (May 2012), none of Japan's fifty-four reactors are in use and there is no clear plan as to when (or if) any will be restarted.

Because of the reduced nuclear power, which makes up one-third of Japan's energy mix, the country has turned to increased oil imports and alternative energy. Specifically, Japan increased its reliance on liquefied natural gas (LNG). LNG imports in 2011 marked a record high of 78.53 million tons, up 12 percent from the preceding year.¹ This figure is likely to increase because, while

¹ "Japan 2011 LNG Imports Hit 78.5 Million Tonnes," LNG World News, January 25, 2012. Accessed April 17, 2012. Available at: <http://www.lngworldnews.com/japan-2011-lng-imports-hit-785-million-tonnes>.

Japan continues to rely heavily on oil, it has been forced to reduce imports from Iran due to US pressure. With crude oil prices expected to rise as tensions over Iran continue, this will further push Japan toward LNG imports.

Demographics

Japan's toughest long-term challenge is its demographics. The population is rapidly shrinking. According to a January 2012 report by the National Institute of Population and Social Security Research, Japan's current population of 128 million will fall to 86 million by 2060.² This is because of falling fertility rates (the expected number of children born per woman over her lifetime). In 2010, it stood at 1.39 and will fall to 1.35 in 2060 (both figures are well below the population-maintenance level of 2.1). Moreover, Japan's population is rapidly aging. Today, the average life span is 79.64 for men and 86.39 for women. By 2060, both will increase to 83.67 and 90.34, respectively.

As countries age and produce fewer births, their population composition changes. Today, 63.8 percent of Japan's population is of working age (fifteen to sixty-four years old). By 2060, it will shrink to 50.9 percent. As the population shrinks, the percentage of elderly will grow from today's 23 percent to 39.9 percent, resulting in a shrinking working-age population with increasing financial burdens (i.e. social security, child rearing). With fewer workers responsible for more costs, the economy will shrink, as there will be fewer liquid assets among consumers.

Debt

A similarly difficult challenge is Japan's debt. The CIA World Factbook estimates that Japan's debt-to-GDP ratio in 2011 stood at 208.2 percent. This is the highest among all industrialized countries and second only to Zimbabwe's 230.8 percent. While many

² "Nihon no Shourai Suikei Jinkou (Japan's Future Estimated Population)" (National Institute of Population and Social Security Research, January 2012), available at: <http://www.mhlw.go.jp/stf/shingi/2r98520000021dhc-att/2r98520000021dit.pdf>.

economists do not worry because the debt is primarily held by Japanese, it does constrain Tokyo's monetary policies, especially its reconstruction efforts. At some point, Japan will have to curtail spending or raise taxes, which could carry negative impacts on growth. Worse, if Japan's current account balance falls into a deficit, it will be difficult for the government to redeem the bonds.

Security Challenges

China

It is undeniable that Chinese economic influence has grown. Japan welcomes a prosperous China, evident by their close trade relations. Despite this, China remains Japan's top security challenge. Japan is concerned with how China's economic growth has led to growing defense expenditures (which have grown about eighteen-fold over the past twenty years), promoting the expansion and rapid modernization of its military. This includes the modernization of its nuclear and missile forces, including anti-access, area-denial capabilities, the refurbishing of a Ukrainian aircraft carrier, the construction of new submarines and surface combatant ships with improved air defense and anti-ship missile capabilities, and the development of a fifth-generation stealth fighter. Because the motives and objectives of China's militarization program remain unclear, Japan continues to push for more transparency regarding procurement goals, locations of major units, and detailed breakdowns of the defense budget.

Tokyo's concern is reinforced by increasingly assertive Chinese behavior in waters and airspace close to Japan and within its Exclusive Economic Zone. This activity, thought to be training drills or intelligence-gathering activities, includes People's Liberation Army Navy (PLAN) vessels and aircraft, patrol ships and aircraft from the State Oceanic Administration or Fisheries Bureau of the Ministry of Agriculture, and private fishing trawlers. While the September 2010 incident of a Chinese trawler ramming two Japanese Coast Guard vessels is best known, incidents also

include submerged submarines navigating into Japanese waters, aircraft buzzing Japan's Self-Defense Force (SDF) vessels and aircraft, aircraft approaching Japan's air defense identification zone or crossing the Japan-China median line, and PLAN vessels passing through Japanese waters on their way to the Pacific Ocean, like the October 2008 passage through the Tsugaru Strait and numerous passages between Okinawa and Miyako Island. As long as China resists transparency and continues this assertive behavior, it will remain Japan's top security challenge.

Korean Peninsula

Japan believes that peace and stability on the Korean Peninsula are important for Japan and the region. Japan is concerned with North Korean behavior, which not only increases tension on the peninsula, but potentially destabilizes the region. Specifically, this refers to the development of nuclear weapons and the development, deployment, and proliferation of ballistic missiles. Given that North Korea has tested nuclear weapons twice, Japan is concerned its work to improve its ballistic missile capabilities could enable the missiles to serve as delivery vehicles for these weapons. This is particularly disconcerting for Japan because North Korea has a record of firing missiles over the country, putting all of Japan within range. This includes the most recent long-range rocket test in April 2012. Although the rocket failed, Japan went on high-alert, preparing for the launch by deploying Aegis ships equipped with sea-to-air Standard Missile-3 interceptors to the Sea of Japan to track the launch and Patriot Advanced Capability-3 missile batteries to its southwestern islands.

Moreover, North Korea appears willing to engage in provocative behavior. This is evident by its proliferation of ballistic missiles or related technologies as well as its activity on the Korean Peninsula, including the sinking of South Korea's Cheonan in March 2010 and the shelling of Yeonpyeong Island in November 2010. Tokyo continues to worry about North Korean behavior that may indirectly affect Japan's security (i.e. war on the Peninsula, regime

collapse) or directly impact Japan (i.e. missile launches, abducting citizens, spy ships). These concerns were particularly piqued after Kim Jong-Il died. Although the transition to Kim Jong-Un appears to have gone smoothly, Tokyo remains vigilant of the North Korean challenge.

Russia

Like China, Russia is modernizing its military. Of particular interest is Russia's move to accelerate the development and introduction of new nuclear weapons, such as the Topol-M and RS-24 ICBMs. Additionally, Japan is closely watching Russia's development, procurement, and deployment of new equipment, such as its fifth-generation stealth fighter, which had its first flight in January 2010.

Moscow continues to have a considerable scale of military forces (including nuclear) in the Far East, albeit smaller than during the Soviet era. Increasing activity of these forces, including drills and exercises, concern Tokyo. Of particular concern is an increase in large-scale exercises, such as Vostok 2010, that are aimed at verifying an ability to rapidly deploy forces to the Far East far from where they are stationed. Additionally, Tokyo is concerned by an increase in Russian military vessels and aircraft operating in the vicinity of Japan, such as the Russian bomber that circled the Japanese archipelago for more than fourteen hours in September 2011.

A bilateral territorial dispute continues to constrain advances in relations. President Dmitry Medvedev's visit to Kunashiri Island (one of four islands in dispute) in November 2010 did not help, as he was the first head of state ever to visit. He was followed by cabinet ministers and commitments to strengthen the defense of these islands. All these moves angered Tokyo, which sees the territory as an integral part of Japan. While there are moves to prioritize common economic interests over the territorial dispute, Tokyo will remain vigilant of Moscow's military activity in its Far East.

Economic Priorities

Consumption Tax

Given the pressures the demographic changes and rising debt are having on Japanese monetary policies, Prime Minister Yoshihiko Noda is prioritizing raising the consumption tax from its current 5 percent to 8 percent in April 2014 and 10 percent in October 2015.³ If successful, the increase will help address Japan's rising debt, as well as the increased social security costs that will come with an aging society and declining population. Noda's success is uncertain though, as his plan is causing significant strain within his party.

Bilateral Agreements

Because the high yen hinders export-led growth, Japan is prioritizing Economic Partnership Agreements (EPA). In August 2011, a comprehensive EPA went into effect with India, removing duties on 94 percent of products over the next 10 years and ensuring greater access for goods, services, and investments in each other's markets. There are currently moves to advance EPA negotiations with South Korea and Australia and to initiate negotiations with the EU and trilateral negotiations with China and South Korea. The purpose of these moves is to expand markets for Japanese business.

Because of reduced nuclear energy, Japan's relations with Russia have turned to focus on economic interests. After the March disasters, Russia promised to divert 6,000 MW of electricity from its Far East and send 200,000 tons of LNG.⁴ Similarly, Japan's Parliament ratified an agreement on nuclear-energy cooperation that makes it possible for the two to trade nuclear energy-related technologies and uranium. This prioritization of economic issues holds a pro-

³ "Shakai Hoshou to Zei no Ittai Kaikaku no Kanren Houan wo Kakugi Kettei (Cabinet Decision on Legislation Related to Integrated Reform of Social Security and Taxes)," (Democratic Party of Japan, March 30, 2012), available at: <http://www.dpj.or.jp>.

⁴ Zoe Murphy, "Japan Earthquake: Living with Blackouts" (BBC, March 15, 2011), available at: <http://www.bbc.co.uk/news/world-asia-pacific-12731696>.

mising future because Japan ranks first globally as a natural gas and coal importer while Russia ranks third globally as a coal exporter and first as a natural gas exporter.⁵

Multilateral Forums

Japan, along with Australia, is responsible for the creation of the Asia-Pacific Economic Cooperation (APEC) in the late 1980s. Since its inception, Japan has remained a committed member, including the provision of funds for conducting APEC projects. However, because APEC did not become the means for trade liberalization, Japan has put greater emphasis on bilateral EPAs and, most recently, the multilateral Trans-Pacific Partnership (TPP). That said, Japan hosted the 2010 APEC meeting in Yokohama and continues to place a priority on APEC as a means to consult major regional players and promote open regional economic cooperation in various fields with a growing number of economic partners.

Under its June 2010 economic growth strategy, Tokyo wants to double the flow of people, goods, and money by 2020. Its December 2011 “Strategy for Japan’s Rebirth” calls for increasing exports of agricultural, forestry, and fisheries products and food items to the 1 trillion yen level by 2020. With these goals in mind, Japan has prioritized joining the TPP which the Cabinet Office estimates will boost Japan’s real GDP by 2.5 to 3.2 trillion yen by 2018. Additionally, the TPP enables Japan to participate in rule-making to strengthen the regional-trading architecture. As with Noda’s push to raise the consumption tax, many members of his party oppose this action. While Noda remains committed, it is uncertain whether he will be successful.

⁵ International Energy Agency, *Key World Energy Statistics* (2011), 13, available at: www.ica.org.

Security Priorities

Dynamic Defense

One of the biggest changes in Japan's security priorities came in the December 2010 National Defense Program Guidelines. Given the diverse challenges Japan faces, officials developed the concept of Dynamic Defense Forces. Different from the Basic Defense Force concept that emphasized deterrence through the existence of defense forces, Dynamic Defense relies on developing and utilizing advanced technology and intelligence capacities that can be used as active resources to carry out various roles. These forces are characterized by readiness, mobility, flexibility, sustainability, and versatility.

This has meant changes to the SDF posture. Japan is focusing on reducing Cold War era equipment and organization and revising the geographical alignment and operation of units away from the ground units in the north (where a Soviet invasion was expected) to the maritime and air units in the southwest (where China is the concern). Much priority has been on developing and strengthening the functions of warning and surveillance, maritime patrol, air defense, ballistic missile response, transport, and command communications, which will also aid in detecting activities of North Korea and Russia.

U.S.-Japan Alliance

SDF capabilities are primarily a deterrent force that supplements US forces. As such, the health of the alliance remains Japan's top priority, as it is the primary means by which to ensure regional peace and stability as well as ensure it is not alone in dealing with its security challenges. When the current government came to power in 2009, promises to relocate US forces outside of Okinawa prefecture lead to a tumultuous time in alliance relations. However, after a change in prime ministers and both countries working together in the aftermath of the March disasters, political relations improved (although the Okinawa issue remains unresolved). This

was evident at the June 2011 Foreign and Defense Ministers meeting (called a 2+2 Meeting), in which they agreed on a number of areas to deepen and broaden the alliance.

Militarily, relations remain close, continuing an upward trend of close cooperation and increasing interoperability gained through joint exercises and training. The fruits of their labor were evident during *Operation Tomodachi*, the joint effort of response to the March 2011 disasters. Japan continues to prioritize work to enhance and expand its cooperation in a number of areas, such as warning and surveillance, trilateral cooperation with Korea and Australia, and humanitarian assistance and disaster relief. Japan's prioritization of the alliance will continue.

Bilateral Relationships

Given Japan's security challenges, primarily from China, it is prioritizing the development of new security relationships with key regional partners. The biggest changes have come with Japan's relations with Australia and India. Japan signed Joint Declarations on Security Cooperation with both states that set the groundwork for greater exchanges of military personnel, policy coordination, joint exercises and training, and 2+2 meetings. The partnership with Australia has arguably gone the farthest: the two countries signed an Acquisition and Cross Servicing Agreement in 2010 and are negotiating an Information Sharing Agreement. The partnership with India has also deepened, albeit via different means. Japan provides billions of dollars in Official Development Assistance for Indian infrastructure upgrades, such as the \$90 billion Delhi-Mumbai Industrial Corridor, and signed the comprehensive EPA referred to above.⁶ This year, the two will begin bilateral naval exercises.

Japan is also prioritizing new partnerships with key Southeast Asian countries. It upgraded relations with Vietnam and the Philippines to Strategic Partnerships, complete with more frequent

⁶ For Japan's involvement in the Delhi-Mumbai Industrial Corridor project, see "Financial Analysis of DMIC Project," Delhi Mumbai Industrial Corridor, available at: <http://delhimumbaiindustrialcorridor.com/financial-analysis-of-dmic-project.php>.

summits and annual ministerial exchanges, and exchanges between their militaries and coast guards. They also agreed on shared strategic interests, such as freedom of navigation and resolving the South China Sea dispute in accordance with international law. With Singapore and Indonesia, Japan has built relationships focused on similar shared interests but, so far, these relationships are limited to increased bilateral discussions.

Multilateral Cooperation

Because military cooperation is not the only means by which to address security challenges, Japan maintains a high priority on multilateral cooperation. This includes dialogue and confidence-building measures, efforts to develop and enhance regional order and common norms, and multilateral security operations.

While Japan remains committed to the United Nations, it also remains active in regional multilateral forums. In addition to the ASEAN Regional Forum, it participates in the Shangri La Dialogue and welcomed the First ASEAN Ministers' Meeting-Plus (ADMM Plus), a government-hosted, multinational meeting of regional defense ministers started in October 2010. Japan hopes this latter meeting will promote the development and enhancement of regional security cooperation. Specifically related to the North Korean challenge, Japan remains committed to the Six Party Talks, in which it has an important role to play via its economic power.

Japan is also working to develop and/or enhance regional order and common norms. We see this most clearly in numerous 2011 agreements in which Japan stipulated the necessity of freedom of navigation and the peaceful resolution of the South China Sea dispute in accordance with universally accepted international law, such as the UN Convention on the Law of the Sea. It also made an effort to include this issue in the final statement produced at the November 2011 East Asian Summit, although it was not successful.

Finally, Japan remains committed to multilateral security operations to ensure regional stability. This is evident by SDF partici-

pation in Humanitarian Assistance/Disaster Relief operations in Indonesia following the 2004 tsunami and in Pakistan following the 2005 earthquake and 2010 floods. Additionally, since 2009, the SDF has been involved in anti-piracy operations off the coast of Somalia, which has important sea lanes for Asia. It is also a charter member of the Proliferation Security Initiative, making Japan an active partner in preventing the illegal movement of WMDs or related technologies.

Conclusion

Given the rapid changes underway in the Asia-Pacific, Japan is not alone in having to confront a new set of economic and security challenges. Its challenges are nevertheless complex. Economically, this includes a high yen, increasing resource scarcity, rapid demographic change, and rising government debt. In terms of security, Japan is challenged by the growth and modernization of China's military, North Korea's nuclear weapons and missile programs, and increasing Russian activity in the Far East. Tokyo is prioritizing a diverse set of policies to minimize their impacts. Economic policies include increasing taxes, creating trade agreements, and engaging in multilateral trade forums. In the security realm, its policies include developing Dynamic Defense Forces, continued reliance on the U.S.-Japan alliance, strengthening other bilateral relationships, and participating in multinational efforts. While there is no guarantee these policies will be successful in overcoming all of Japan's challenges, the policies will nevertheless remain at the forefront of Tokyo's regional engagement for the near future.

Chapter Twelve

Alexander Vorontsov

Korean Peninsula: Old Problems and New Challenges

Executive Summary

- The Korean Peninsula situation quite often reminds one of a pendulum swinging from a recurrent crisis to negotiation. Observers tend to call the process a vicious circle. The longest period of hiatus (April 2009 to present time) in the Six-Party Talks was marked by a full-scale crisis, including an outburst of hostility between North and South Korea.
- Russia, like the other members of the Six-Party Talks, is truly interested in the denuclearization of the Korean Peninsula. Russia is also very much alarmed by the continuing unmonitored development of North Korea's nuclear programs in recent years. At the same time, Moscow prefers a gentle and flexible diplomacy toward Pyongyang, which proves to be more efficient than the pressure from the U.S. and South Korea.
- The death of Kim Jong Il and the accession to national leadership of his youngest son, Kim Jong Un, has confirmed the DPRK's internal stability and foreign policy continuity. The DPRK's domestic political environment remains quite stable, its political system is more consolidated, and the friendly relations between China and North Korea continue to deepen across the board. At the same time, the succession has opened new opportunities for restoring bridges between the adversarial parties on the peninsula based on the logic that negotiation is a better option than confrontation.

The Conflict Scenario

The Korean Peninsula security situation in general and North Korea's nuclear programs in particular have been marked by worsening inter-Korean relations for most of the past three years. They reached a culmination in 2010, when the two Koreas were on the verge of a hot war. At the same time, the mechanisms for resolving, freezing, and, eventually, eliminating tensions on the peninsula were almost completely ineffective in 2011. This applies both to bilateral format and also to the main international tool designed to meet those goals – the Six-Party Talks in Beijing. Incidentally, the military conflict, which resulted in the shelling of Yeonpyeong Island on November 23, 2010, confirmed again the common truth that, when diplomats refrain from a dialog and are silent, guns begin to speak.

There were many reasons this happened. One was that, during the period, especially throughout 2010, the US-ROK alliance exerted unprecedented pressure on both North Korea (in order to facilitate the regime collapse) and China (in order to show Beijing that the price of its support for North Korea is becoming excessively burdensome), in a hope to drive the Chinese away from supporting Pyongyang. The nonstop military drills along the North Korean borders and sometimes in the vicinity of China were examples of the strategy.

Washington's and Seoul's goals were, however, unfulfilled. The DPRK's domestic political environment remains quite stable, its political system is more consolidated, and the friendly relations between China and North Korea continue to deepen across the board. North Korea's nuclear programs have continued unchecked. As a result, despite the UN Security Council Resolutions (No. 1784, of 2006, and No. 1874, of 2009) North Korea's nuclear programs, based now on new uranium technology, have been quite impressive.

Prominent American nuclear physicist Siegfried Hecker, who has visited North Korea on numerous occasions and who was

shown, for the first time, the new facility with 2,000 operational centrifuges in October 2010, found both the scale and the technological level of the new nuclear facility “stunning.”¹

Pyongyang’s behavior did not change. Instead, it became more decisive and dangerous. One of the purposes of the November 23, 2010 artillery shelling of the South Korean island of Yeonpyeong was to send a signal that North Korea is ready to fight for survival at any price. At the same time, as Victor D. Cha correctly notes, “even a hawk must acknowledge that a long-term policy of sanctions and military exercises in the end may lead to war before they lead to a collapse of the regime.”²

Moreover, Pyongyang has launched its own counter game. Following a traditional operational logic (“meet force with more force”), it tried to demonstrate to the United States two clear alternatives—either bilateral talks or further development of its nuclear programs. By the same token, South Korea is under pressure to choose between dialogue and conflict.³

Immediately after the shelling of Yeonpyeong Island, ROK President Lee Myung-bak was repeating statements made by U.S. President George W. Bush between 2002 and 2003 almost word for word: “I will never again sit down at the negotiating table with the North Koreans, because that would mean rewarding their bad behavior.”

It is a known fact that some influential circles in the United States, particularly of the conservative camp, harbor the view that, because North Korea is unlikely to give up its nuclear weapons, negotiations with Pyongyang are useless in principle.

Can the deadlock be resolved given such perspectives and positions? It seems very unlikely.

¹ Siegfried S. Hecker, “A Return Trip to North Korea’s Yongbyon Nuclear Complex,” NAPSNet Special Report (November 22, 2010).

² Dr. Victor D. Cha, “Testimony Before the U.S. House of Representatives, Committee on Foreign Affairs” (March 10, 2011), <http://www.csis.org/program/korea-chair>.

³ Jong Seok Lee, “The Next Kim: Prospects for Peace in Korea,” *Global Asia* (Seoul: Winter 2010), 4, 5: 81.

The Negotiation Scenario

It is true that many negotiations have been held between the DPRK and its opponents, with the nuclear problem being one of the issues discussed, and many of them ended in fiasco.

However, there have also been successful negotiations. In contrast to the Northern Limitation Line (NLL) in the Yellow Sea, the Demilitarized Zone (DMZ) was mutually negotiated. It was agreed upon and is still recognized by the North, whereas there have been constant problems with the NLL.

On the nuclear issue, which is of greater concern, the most successful period of strict international monitoring of North Korea's nuclear programs were the seven years when the Agreed Framework signed by the United States and the DPRK in October 1994 was in effect; and the Korean Peninsula Energy Development Organization (KEDO), in spite of all the difficulties over the operation of the consortium and its final fiasco, gave the world its first successful and rich experience of collaboration between the "irrational, maniacal, and untrustworthy North Koreans" and a broad range of Western partners.

It is true that the North Korean representatives frequently walked out of the negotiations without fulfilling their obligations. However, an impartial analyst would admit that their Western partners just as often broke, failed to meet, and tried to repackage or reinterpret their own obligations. This is an objective and documented fact.

Back to North Korea's nuclear programs: the historical evidence confirms again that they were successfully subjected to international monitoring, frozen, and even sometimes reversed only when the North Koreans were in negotiations with interested partners and under obligations that they had voluntarily accepted during negotiations with those they recognized as their equals. That was the case until very recently, during periods when the terms of the Six-Party negotiations in Beijing were successfully implemented.

Of course, those were temporary and partial successes. But, in the first place, they actually happened; and, in the second place, they were better than nothing, better than the unrestricted development of North Korea's nuclear capability, which is what we have now.

Pyongyang considers itself now legally free of any obligations. It immediately rejected the UN Security Council's respective resolutions, which the DPRK considers as unjust. The international sanctions are not stopping it from moving forward in the nuclear area.

It is quite apparent that the plans to force Pyongyang to give up its nuclear programs by squeezing it with sanctions, pressure, and increased isolation are ill-founded and simply do not work. It is when North Korea's leaders are feeling increased military and other threats from outside that they make the maximum efforts to speed up work on strengthening their "nuclear shield." They are prepared to sacrifice much for its sake, including limiting economic freedom and reforms (in the North Korean understanding of those concepts, of course). That conclusion is also supported by the entire period we have observed throughout the development of the present situation on the Korean Peninsula. The events of the past two years confirm such a conclusion. Leading Western specialists in the nuclear area raise concerns with regard to the rapid progress achieved by Pyongyang during this period. They acknowledge that "North Korea makes significant progress in building a new experimental light water reactor" and that "the rapid construction of the plant may be an important indication of Pyongyang's intention to move forward as quickly as possible with its uranium enrichment effort – to produce fuel for the reactor and potentially fissile material for nuclear weapons – as well as of the level of the North's commitment to its WMD programs in general."⁴ Moreover the earlier mentioned "nuclear guru" S. Hecker argues, "If North Korea conducts a third nuclear test that will be very risky. If another

⁴ North Korea Makes Significant Progress in Building New Experimental Light Water Reactor (ELWR) (November 14, 2011), available at: <http://38north.org/2011/11/elwr111411>.

of the North's nuclear tests is successful, I believe North Korea will succeed in the necessary miniaturization within a few years."⁵

The only real, workable method to first halting, then gradually limiting, and, in the long run, eliminating North Korea's nuclear programs and capability is for the main players to begin substantive negotiations with it as soon as possible. While closely monitoring Pyongyang's fulfillment of its obligations, all parties involved should not fail to meet their own commitments.

The Six-Party Talk mechanism in Beijing is a perfectly workable tool that has provided solid, useful experience. Therefore, it would be very desirable to restart the talks as soon as possible. At the same time, we should not rule out the emergence of other international mechanisms to deal with similar problems in the future.

It is also worth reminding of the formula well known in the nonproliferation community: you cannot seek nonproliferation and regime change at the same time. Whenever attempts at regime change are started, successful nonproliferation efforts come to an immediate halt.

Russia, like the other members of the Six-Party Talks, is truly interested in the denuclearization of the Korean Peninsula. Russia is also very much alarmed by the continuing unmonitored development of North Korea's nuclear programs in recent years.

In 2011, Moscow scored an important success in communicating to Pyongyang the international community's concerns. Russia's Deputy Foreign Minister, Alexander Borodavkin, visited Pyongyang on March 11–14, 2011 and directly called on North Korea to return to the Six-Party Talks without preconditions, declare a moratorium on the new nuclear and long-range missile tests, include uranium enrichment issue into the Six-Party Talks agenda, and to provide the IAEA inspectors access to the nuclear facilities, including the ones with uranium-enrichment capability.

⁵ Siegfried Hecker, *"Third Nuke Test May Allow North Korea to Miniaturize Bombs: Expert"* (December 14, 2011), available at: <http://www.nti.org/gsn/article/third-nuke-test-may-allow-north-korea-miniaturize-bombs/>

The most important result is that the Russian diplomats seemed to succeed in convincing the DPRK leadership to accept the abovementioned requirements. In particular, the DPRK Foreign Ministry Representative noted: “The Korean side expressed its own position that the DPRK is ready to participate at the Six-Party Talks without preliminary conditions and does not object to uranium-enrichment-issue discussion in the Six-Party Talks framework, and, in the case of the Six-Party Talks resumption, other problems raised by the Russian side may be resolved on the action-for-action principle base in the process of the implementation of the September 19, 2005 Joint Statement regarding the whole Korean Peninsula denuclearization.”⁶

So Pyongyang via Moscow sent to the international community a clear signal that it is ready to take a much more flexible and constructive approach in order to be engaged in a substantive dialogue.

As early as March 2011, North Korea signaled its readiness to return to the Six-Party Talks without preliminary conditions. It was confirmed by the late Kim Jong Il personally during the Russia-DPRK summit in Ulan-Ude in August 2011. The North Korean leader reiterated interest in the earliest resumption of the Six-Party Talks as well as readiness to introduce a moratorium “on production of nuclear materials and their tests” during the multilateral talks. Thus, Moscow’s gentle and consistent diplomacy, which persuades Pyongyang to be flexible, proves to be more efficient than the pressure of the U.S. and South Korea.

As a result, the situation paradoxically changed and some Six-Party Talks’ participants swapped their roles. Pyongyang started to regard their resumption favorably, whereas Seoul, Washington, and Tokyo demonstrated an unhurried and restrained attitude. Following the “strategic patience” and “wait and see” approach, they put forward preliminary conditions toward North Korea, with some of them obviously unacceptable to the latter. They kept repeating

⁶ The DPRK Foreign Ministry Representative Comment (The DPRK Embassy in Moscow PressRelease, March 15, 2011).

that, before the talks could be restarted, they needed to check the seriousness of the DPRK's intentions. However, many observers interpreted this as a typical tactic of delay. Perhaps one of the main reasons for such a line of behavior was an expectation in Western capitals that the long-expected Kim Jong Il's demise would lead to disorder and collapse in North Korea.

Leadership Change in DPRK

The death of Kim Jong Il marks a watershed moment between distinct epochs in the history of North Korea, prompting intense debate over the multiple scenarios possible for the anticipated transition.

In this regard it is noteworthy that the mass expressions of grief in North Korea may seem shocking to foreigners but certainly cannot be written off as insincere. It is true that collectivism is pervasive in this heavily organized state and affects the way emotions are displayed, but it would also be unfair to deny that – in line with the Confucian tradition – the perception of the country leader as the father of the nation is widespread among the population and that people are indeed mourning Kim Jong Il. The tendency within the original North Korean political culture to ascribe a special role to the national leader has a legitimizing impact on Kim Jong Un's claim to power. It is true that he is very young, has a minimal record of involvement in state affairs, and, in fact, has held the successor status for just over a year. Still, he has learned a lot over that period of time, acting as his father's apprentice and making no blunders in the process. More importantly, the nation actually sees him as the successor.

Obviously, both Kim Jong Un and the entire North Korea are facing a tough challenge at the moment. From now on, a lot will depend on Kim Jong Un's aptitude, willpower, and other requisite leadership qualities. His elder peers – the stalwarts from his father's inner entourage – will certainly do their best to help him during the initial phase, but that type of interaction should not be interpreted

as evidence that Kim Jong Un will have a purely nominal status. For North Korea, combining the leader's singular status with collectivism in top-level decision making is a long-standing tradition, though the balance between the two elements fluctuates. Even Kim Il Sung was not invariably the number one figure in North Korea's party and administration (in the initial stages) and, even at the peaks of their careers, neither he nor Kim Jong Il sidelined such collective governance bodies as the Central Committee of the Labor Party, the National Defense Commission, and others.

Predictions that North Korea will shortly plunge into chaos and that a tide of infighting will sweep over its leadership have failed because they were completely groundless. North Korea demonstrates robust political stability, with nothing like an organized opposition or public protests of considerable proportions in sight.

It is natural that divisions over individual issues exist in the North Korean administration, as they do in any other country, but, in the North, they do not seem to escalate into irreconcilable discord. The constant external threat facing the country further cements its administration. Pyongyang is mindful of its opponents' strategies focused on inducing regime change and monitors the emergency military planning of the U.S.-ROK alliance, which certainly had its own plans ready to set in motion in the event of the sudden death of the North Korean leader. The developments in Libya and the fate of Muammar Gaddafi made North Koreans realize what kind of punishment the West administers for defiance. By the way, Pyongyang immediately drew a peculiar conclusion, which has been expressed in an official statement. It essentially points out that Gadhafi's fatal mistake was he was too naïve; he believed the West's promises and swapped his national nuclear program for international security guarantees. They got rid of him as soon as he lost his "nuclear teeth." North Korea does not intend to make that mistake, and it will continue improving its defense capabilities, including its nuclear deterrent, which constitutes a security guarantee in and of itself.

The North Korean elite and the politically active part of society have no illusions as to their chances for survival in the case of a regime change. More than any ideological directives, such concerns encourage full cohesion, a desire to stay loyal to the country's leader, and a determination to ruthlessly suppress any tendencies toward internal discord.

At least in the midterm, we can expect to see complete continuity in North Korea's foreign and domestic policies, with its young leader likely to emphasize allegiance to his father's legacy. Pyongyang's approach to key foreign policy issues, including its involvement in the Six-Party Talks on denuclearization of the Korean Peninsula, will, therefore, remain unchanged.

It should be noted that the recent developments in North Korea open up new opportunities for other interested parties, and time will show how they will take advantage of them. Now is a good time to turn the page on past conflicts and to start cultivating contacts with the young North Korean leader. No doubt, the biggest role in rebuilding bridges to Pyongyang could be taken by the United States. Washington's usual foreign policy planning strategy is to compile alternative scenarios and to constantly be prepared to make political U-turns. The transformation from a condition bordering on war to fruitful cooperation in the wake of Kim Il Sung's death and the signing of the 1994 Agreed Framework provide a vivid example of such flexibility. The Bush administration made a similar maneuver in 2007.

Conclusion

Overall, the situation in North Korea remains stable, with Moscow and Beijing firmly espousing peace and stability on the Korean peninsula. Washington and Seoul are faced with the dilemma of either boosting pressure on Pyongyang with the aim of irreversibly breaking its resistance (a strategy loaded with extreme risks) or giving their policies vis-à-vis North Korea a serious facelift.

Quite unexpected scenarios may materialize in the game played out between Washington and Pyongyang. The U.S. Secretary of

State Hillary Clinton's visit to Burma, the country that used to draw Washington's condemnations in unsurpassed quantities as a "rogue state," was a bold initiative, and a similar breakthrough in dealing with North Korea may be in the offing (the precedent being Madeleine Albright's visit to Pyongyang in 2000). In any case, today's situation offers unique opportunities to end the stalemate in the US-DPRK and inter-Korean relations.

The third (and the first under Kim Jong Un's leadership) round of US-North Korea high-level bilateral talks, held in Beijing February 23–24, 2012, happened to be more successful than the previous two. For five days, the parties kept silence. But, on February 29, Washington and Pyongyang made statements demonstrating a real breakthrough in bilateral relations. In exchange for US food assistance (240,000 tons), continuation of discussions concerning further food supplies and the normalization of bilateral relations, North Korea decided to suspend nuclear tests, long-range missile launches, and enrichment of uranium at its Yongbyon nuclear facility and allow back international nuclear inspectors.⁷

It is quite symbolic that, at the very beginning of 2012, both the Russian Minister of Foreign Affairs, Sergey Lavrov, and the then (until November 2011) United States Special Representative for North Korea Policy, Ambassador Stephen Bosworth, almost simultaneously predicted the resumption of Six-Party Talks in 2012. The February 2012 success in the US-DPRK relations would back considerably such an optimistic forecast. However, the March 17, 2012, announcement by Pyongyang concerning its decision to launch a satellite into space to commemorate the 100th anniversary of the birth of Kim Il-sung reduced the optimism strongly. We need again to watch closely in what direction the Korean Peninsula "pendulum" will move next.

⁷ North Korea-US deal revives hopes of nuclear disarmament talks (March 1, 2012), available at: <http://www.reuters.com/article/2012/03/01/us-korea-north-usa-talks-idUSTRE81S13R20120301>; DPRK Foreign Ministry Spokesman on the Result of DPRK-US Talks (February 29, 2012), available at: <http://www.kcna.co.jp/index-e.htm>.

Chapter Thirteen

Moban Malik

China in the Asia-Pacific in 2040: Alternative Futures

Executive Summary

- China and the Asia-Pacific region stand at a crossroads. Asian geopolitics, in particular, will be dominated by the interaction among the United States, China, India, Japan, and Russia. Strategic concerns loom large as China's growing power and reach run up against the interests of other powers.
- China's meteoric rise has given impetus to new geopolitical alignments. Power asymmetry among major stakeholders means that each will form flexible, ad hoc partnerships with the others where their interests converge, mobilize the support of one against the other when their interests collide, and checkmate the other two from forming an alignment against it as they compete, coalesce, and collude with each other when their objectives coincide.
- Peace and stability will prevail if China and other powers work for a multipolar Asia with inclusive multilateral institutions. However, competition, rivalry, and even conflict will result should bipolarity reemerge or should Beijing seek to reestablish a hierarchical Sino-centric regional order wherein the Middle Kingdom behaves in a traditional manner, expecting tributary relations with its neighbors.

Introduction

Power in the international system is always relative and ever-shifting. States rise and fall primarily due to their uneven rates of economic growth, wars, and imperial overstretch. Some states grow more rapidly than others, thanks to domestic policies and

institutions, technological breakthroughs, and political leadership's ability to mobilize national resources that places them at an advantage over others. Over the past three decades, China has demonstrated tremendous ability to plan and mobilize national resources to implement goal-oriented, timely action strategies in economic, diplomatic, and military arenas. More than a quarter of a century of exponential economic growth in China has been accompanied by nearly two decades of double-digit growth in its military expenditure, which, in turn, has given impetus to new political alignments.

China's pursuit of "comprehensive national power" is aimed at ensuring that no other country has the wherewithal to undermine what Beijing claims to be its "core national interests." This power-maximization drive has widened the gap between China and its neighbors, especially Russia, Japan, and India. The 2008 financial crisis has served to accelerate global economic rebalancing. Only political disintegration or prolonged economic stagnation or war would be Beijing's undoing. The moment a country arrives on the international stage as "a great power of its age," it generates cooperation, competition, envy, and rivalry. How to adapt to China's growing power and influence is a question that dominates the foreign-policy establishment of nearly every country in the world. Will China use its growing power to establish a rule- and norm-based order that strengthens inclusive, multilateral institutions? Or, will China use its power in pursuit of narrow national interests in ways associated with hegemonic intentions, as ascendant powers have done in the past? Is the difference between a cute and cuddly panda and a fire-breathing dragon one of attitude, or with whom it is dealing? This chapter assesses the impact of China's rise and lays out four alternative strategic futures for China and the Asia-Pacific region to the year 2040.

The Reigning Power versus the Rising Power

Old established powers are usually reluctant to cede the prestige and status they have enjoyed over the years. However, rising powers are loath to accept externally imposed limits to their power, driven as they are to expand their access to new territories, natural resources, and markets or by the lure of intangible gains in prestige, leadership, and security. The United States is the established, reigning power, while China is the rising power. China's global outreach for trade, investment, markets, natural resources, and bases has extended its influence and interests to every nook and corner of the world. Even as Chinese leaders make statements about the peaceful and defensive nature of military activities, they demand that others accept Beijing's absolutist (but ambiguous) positions on a variety of highly contentious territorial, maritime, and resource disputes. All the while, Beijing signals, with increasing assertiveness, that the region must move away from a US-centered, bilateral, alliance-based security structure. Left unsaid is that a post-American security order will resemble a Sino-centric hierarchical structure wherein China's preponderant power will determine the nature of bilateral relations and set the agenda of multilateral institutions. China has acquired the power to force others to get out of its backyard even as Beijing seeks to establish and expand the Chinese footprint in others' backyards. China-watchers discern a major policy shift underway in Beijing, and attribute increased global assertiveness to a new, evolving Chinese strategy, which is transitioning from the late Chinese patriarch Deng Xiaoping's directive of "hiding real capabilities to bide our time" (*taoguang yanghui*) to "making contributions by seizing opportunities" (*yousuo zuowei*), taking the lead and showing off China's capabilities to shape others' choices in Beijing's favor.¹

¹ See Xinhua, "Qinghua Scholar: China Should Form Alliances with Other Countries," *Chinascopes* (December 10, 2011), available at: <<http://chinascopes.org/main/content/view/4125/103/>>.

Managing China's Rise

Among regional countries, China arouses unease because of its size, history, proximity, potential power, and, more important, because the memories of “the Middle Kingdom syndrome” and tributary state system have not dimmed. Historically, there has never been a time when China has coexisted on equal terms with another power of similar or lesser stature. Beijing’s “non-interference in internal affairs” policy does not mean that China will not demand obeisance from other countries. The growing economic ties between China and its Asian neighbors have created a sense of dependency and despondency. While China’s neighbors do not oppose China’s power and prosperity, they do not welcome their own loss of relative standing and strategic autonomy in foreign policymaking. Neither belligerence nor deference is seen as a prudent policy option with respect to China. Given China’s centrality in Asian geopolitics, “hedging,” or old-fashioned “balancing” vis-à-vis China is becoming the most preferred option, without giving up on the many benefits of engaging Beijing. With the exception of a few (notably Pakistan and North Korea), most Asian countries show little or no desire to live in a China-led or China-dominated Asia. Instead, they seek to preserve existing security alliances and pursue sophisticated diplomatic and hedging strategies designed to give them more freedom of action while avoiding overt alignment with major powers. Consequently, Asian countries now spend more on their militaries than European countries. Being a distant hegemon, the United States still remains the balancing power of choice for many countries on China’s periphery. Therein lies the paradox: despite its relative decline, the United States has become the most sought-after power in the region. All want to benefit from economic ties with China, but none want the region dominated by Beijing or their policy options constrained by China. Put simply, there is no desire to replace the fading American hegemony with Chinese hegemony. Managing China’s rise and molding its behavior will be among the biggest diplomatic challenges facing the region and the world in the coming years.

Scenario I: Weak Unipolarity: Competitors-cum-Partners

In this scenario, the United States remains the predominant power. The U.S.-Chinese economies remain inextricably tied in a symbiotic relationship and U.S. growth and prosperity are linked to China's. Though the United States loses its position as the largest economy in the world to China, it succeeds in reinventing itself as an innovative economy and retains a significant technological edge over others. Most Asian countries strengthen their security ties with the United States as part of their hedging, or balancing, strategy, even as they become increasingly dependent on the Chinese market for trade, prosperity, and economic well-being. While maintaining its traditional alliances, Washington enlarges its network of friends and allies by drawing Mongolia, Vietnam, and Indonesia into its orbit. Not wanting to see Asia dominated by a single country, Washington prefers the prospect of a balance of peaceful engagement that includes all the major powers in Asia, China, Japan, and India, with the United States continuing to act as an "engaged offshore power balancer." The premise underlying this strategy of forming a range of partnerships is to shape the strategic environment in ways that would induce China to evolve as a constructive and responsible, rather than a revisionist or an irredentist, power in Asia.

At the same time, the economic and military might of China and Russia, and, to some extent, India, increasingly constrains US policy options. A regional community evolves and the ASEAN Defense Ministerial Meeting plus Eight (ADMM+8) and the East Asia Summit (EAS) emerge as viable security and economic forums and a stable nuclear balance prevails. The nexus between traditional geopolitical and nontraditional or transnational security issues (such as climate change, economic growth, resource scarcity, terrorism, nuclear proliferation, and religious radicalism) generates great-power cooperation even as one competes for relative gain and advantage over the others.

Notwithstanding a range of economic and transnational security issues drawing them closer together, old disputes (Taiwan)

and new frictions (currency, trade, the environment, cyberspace, and maritime security), coupled with rival strategic alignments, will keep Beijing and Washington apart. Tensions over Taiwan, Tibet, Pakistan, the South and East China seas and the Korean Peninsula will reverberate in Sino-American relations. Asymmetric growth in the Chinese and US economies will also have the effect of intensifying their power competition. For Beijing, the combination of internal issues of stability, external overlapping spheres of influence, and ever-widening geopolitical horizons forestall the chances for a genuine Sino-American accommodation. Economic and political engagement and military balancing will remain dual components of Beijing's and Washington's policies toward each other. As in the past, they will remain competitors-cum-partners, and the relationship between these two Pacific giants will be characterized by security competition and economic cooperation. From Washington's perspective, this may well be the best-case scenario.

Scenario II: A Concert of Powers in a Multipolar Asia

Lasting peace and stability will be attained provided China, the United States, Japan, India, and Russia join forces in an economic and security concert of powers in the Asia-Pacific region. This scenario envisages economic interdependence and regional integration underpinned by multilateral institutions altering the discourse and course of interstate relations from competition and zero-sum games to cooperation and win-win games. Economic ties provide the basis for a stable relationship that tides over political frictions. Despite tensions in the bilateral relationship, China's economic relationship with the United States is vitally important as a source of investment and technology and as its biggest export market that facilitates its rise as a global power. Likewise, the U.S. economic stakes with China are certainly much higher than that of other powers. On most global economic and security issues, including terrorism, nuclear proliferation, and climate change, and in most multilateral organizations such as the UN Security Coun-

cil and the International Monetary Fund, China more often than not works with the United States rather than against it. Similarly, Japan and China or India and China may be competitors, but their aspirations seem to be manageable. Even if regional heavyweights seem to assert their interests more actively, there is little to suggest that they will pursue reckless policies. Their focus remains on social and political stability and strong economic growth so they can concentrate on realizing their potentials and avoid the perils of stagnation or decline. Just as the United States and the Soviet Union did not go to war to counter each other's power or spheres of influence, Asia's giants need not resort to use of force to neutralize each other's aspirations. The Asia-Pacific region is, in fact, too big for any one country to dominate it without that domination having repercussions at the regional and global levels.

Constructing bilateral relationships based on common security that jettisons the push and shove of balance-of-power politics could be a way out of the security dilemma. Given their focus on sustaining economic growth, all share an interest in avoiding overt rivalry, confrontation, and conflict. Conceivably, as the relative weight of economic factors vis-à-vis security concerns increases, the reality of the rapidly expanding bilateral engagement and participation in various international organizations and multilateral forums would create sufficient trust and provide a different template for addressing their disputes. Greater exposure, a sink-or-swim mentality, and interaction at all levels will definitely help make light of some of history's burdens. While they compete for influence, China and Japan enjoy a mutually beneficial and substantive economic relationship. With India, China shares common interests in maintaining regional stability (for example, combating the Islamist fundamentalist menace), and cooperates on climate change, global trade talks, and in the Group of Twenty. The regional architecture pursuing a rules-based approach to development and dispute resolution, with ASEAN at its core, will underwrite an Asian concert of powers as all the countries need each other to succeed in a globalized

world economy. The nature of economic interdependence, power asymmetry, and transnational security concerns would facilitate a regional order underpinned by multilateral institutions promoting dialogue and cooperation to deal with contentious issues and moderate competitive behavior. Multipolarity and multilateralism will provide incentives for all major powers to pursue a moderate, cooperative foreign policy that promotes stability and growth. From a regional perspective, this would be the best-case scenario.

Scenario III: Bipolar Asia: A New Cold War?

In this scenario, China strives for mastery of Asia as a precursor to rivaling the United States as a global power and bipolarity (the U.S.A. *versus* PRC) reemerges, forcing countries to choose sides. Since the end of the Cold War, the context and tone of the Sino-U.S. relationship has undergone dramatic change. China is now a global power. Tensions over Taiwan, Tibet, trade, currency, environment, and military buildup make bilateral relations turbulent. Indeed, the China challenge to U.S. primacy is far more serious than that of other contenders, because China – unlike the USSR or Japan – is a multidimensional power. China's long-term objective of becoming the region's preeminent power notwithstanding, a more realistic short-term goal for the foreseeable future is to establish a partnership with the United States in which American friends and allies are relegated to a subordinate status and the United States and China jointly share preeminence and manage Asian, if not global, affairs. In the Asia-Pacific context, Beijing's near-term vision of regional order is essentially bipolar (the United States and China), which puts it at odds with Japan's and India's views of multipolarity at *both* regional and global levels. With the U.S. share of global economic output declining, many want Washington to cut its losses and cut a deal with Beijing for shared hegemony, instead of shedding U.S. blood and treasure in other people's wars. However, the prospects of a Sino-American accommodation with the U.S. pulling back strategically from Asia

as China rises to global leadership or a shared Sino-U.S. (G-2) hegemony or duopoly seem remote.

The 2008 global financial crisis has led to skepticism among the Chinese elite about U.S. staying power in the Asia-Pacific over the long term. In an opinion poll in early 2010, more than half of the Chinese people thought that “China and America are heading for a new ‘Cold War.’”² Likewise, many Americans seem convinced that China’s rising economic and military power would exacerbate U.S.-Chinese frictions in the years ahead. Aaron Friedberg writes that “deep-seated patterns of power politics are driving the United States and China toward mistrust and competition, if not necessarily toward open conflict.”³ The risk of miscalculation lies in the rest of the world underestimating China’s power and purpose and China overestimating its strength. Many influential Chinese describe the United States as an old, tired giant crumbling under its own weight while China is seen as a teenager, an adolescent throwing its weight around. Song Xiaojun, a military expert and commentator on China’s CCTV, rules out substantial cooperation in the near future, because “the U.S. is experiencing menopause while China is going through puberty.”⁴ Since Washington would neither reduce its footprint in the Asia-Pacific region nor find it easy to share power with China, the consequence – by default, if not design – will be intense strategic competition. The long-ongoing presence of U.S. military forces all around China’s periphery fuels Beijing’s suspicion that the United States seeks to contain China’s rise. Much the same is said of the consequences of reaffirmed, reinvigorated, or emerging security cooperation between the United

² Michael Sheridan, “China’s hawks demand cold war on the US,” *Sunday Times* (London, February 8, 2010), 1.

³ Aaron Friedberg, “Hegemony with Chinese Characteristics,” *The National Interest* (July-August 2011), available at: <<http://nationalinterest.org/article/hegemony-chinese-characteristics-5439?page=show>>.

⁴ Keith Richburg, “Mistrust Stalls US-China Space Cooperation,” *Washington Post* (January 21, 2011); “Huanqiu Laughs at the United States’ Unrealistic Ambition to Lead the World,” *Huanqiu.com* (November 15, 2011), available at: <<http://chinascope.org/main/content/view/4067/103/>>.

States and those along China's maritime periphery (including South Korea, Japan, the Philippines, Vietnam, Australia, Indonesia, and India). Reacting to Washington's support for the Philippines and Vietnam in their disputes with China over islands and reefs in the South China Sea and an expanded US-Australia alliance, Chinese media commentaries warned that nations siding with the United States in the Asia-Pacific will be punished economically, while calling for Chinese "countermeasures" to the US military buildup in the region. Some strategic analysts talk of China's ability to outspend the US to safeguard its Asia-Pacific interests.⁵

While China as the new global power insists that extra-regional powers – meaning the United States – stay out of the region's disputes, Washington asserts its vital interests in the region via its "pivot to Asia" posture. Should Washington's economic constraints force it to revert to an "offshore balancing" posture, the United States will increasingly rely on its regional allies and partners to carry more of the security burden to prevent China from dominating the regional strategic landscape.⁶ Countries in a relative state of decline resist ceding their status to rising challengers. In this context, US ties with Japan, Australia, Vietnam, and India assume greater salience. In particular, Japan and India have taken steps to expand their economic and trade linkages with various Southeast and East Asian countries to a gradual strengthening of security ties. The US slide into the role of an "offshore balancer" would mean that the US-China relations will be characterized by "cooperative competition" at the best of times and "Cold Peace" at the worst of times. In this scenario, unless Japan and India are willing to play a secondary role to China, major-power rivalry is a foregone conclusion.

⁵ Editorial, "US Asia-Pacific strategy brings steep price," *Global Times* (November 18, 2011), available at: <<http://www.globaltimes.cn/NEWS/tabid/99/ID/684596/US-Asia-Pacific-strategy-brings-steep-price.aspx>>.

⁶ Patrick Cronin, "Power Play: It's time for the U.S. to stand up to China," *Foreign Policy* (January 5, 2012).

For its part, Beijing, extremely sensitive to major power alignments, will recruit friends and allies to counter the perceived containment of China by the United States and its allies. An arms race escalates following an escalation in China's territorial/maritime disputes with India, Vietnam, the Philippines, and Japan, and over Taiwan's future evolution. Accusing them of following a "Cold War mentality," Beijing takes countermeasures to bolster its defenses, setting in motion an action-reaction cycle. The emergence of an ambitious, nationalist China with an assertive foreign-policy agenda will further power competition with regional competitors. Under these conditions, a new Cold War could emerge between any pair of major powers, but one between the United States and China is as likely as one between India and China. They will employ strategic maneuvers to checkmate each other from gaining an advantage or expanding spheres of influence.⁷

Trade protectionism and currency wars in times of economic slowdown add to stresses and strains. Domestic economic woes may leave Washington with no option but to stand up to China on the economic front, and insist that the world's largest economy "play by the rules of the road," namely, respecting intellectual-property rights, revaluing its currency to balance trade, allowing greater market access, and loosening control of its near-monopoly on rare-earth materials. From Beijing's perspective, the U.S.-led Trans-Pacific Partnership (TPP) within the Asia-Pacific Economic Cooperation (APEC) amounts to the formation of a bloc aimed at the "economic containment of China" and blunting the edge of its trade competitiveness. Since the Chinese Communist Party (CCP) bases its legitimacy on a mix of economic growth, prosperity, unity, and nationalism, foreign policy belligerence could conceivably increase in the event of a sharp economic decline. According to Power Transitions theory, a slowdown in power growth can bring about a shift in external behavior "from one that favors engagement and accommoda-

⁷ Dai Bing, "India building a security barrier against China," *China.org.cn* (February 8, 2010), available at: <http://www.china.org.cn/opinion/node_7078634.htm>.

tion to one that rewards containment and confrontation.”⁸ Should a hard-line PLA-backed factional leader mouthing hawkish foreign policy emerge as a winner in the internal power struggle within the CCP, major-powers collusion could lead to the emergence of an “Asian NATO.” As a “new cold war” between the United States and China unfolds, fragile regional institutions such as the Association of Southeast Asian Nations (ASEAN), the South Asian Association for Regional Cooperation (SAARC), and the Pacific Islands Forum (PIF) will face the prospect of vertical splits into pro- and anti-China states. In this scenario, the risk of competition/conflict increases (a) if the United States fails to manage China’s rise; (b) if China seeks to precipitate the U.S. decline; and (c) if China blocks accommodation of rising India and normalizing Japan in the international system. The specter of an Asian cold war would be the worst-case scenario for regional peace and stability.

Scenario IV: A China-led Asian Co-Prosperity Sphere: Back to the Future?

In this scenario, the unequal strategic equation between China and its Asian neighbors will eventually force them to capitulate and accept China as the benevolent big brother. Beijing’s best-case scenario is that the United States would, over time, willingly give up its insistence on maintaining the dominant strategic position in Asian, if not world, affairs and reach an understanding with China, just as Great Britain did with the United States after World War II. Just as three decades of China’s double-digit economic growth has succeeded in making China the largest economic partner of nearly all Asian countries, Chinese strategic thinkers calculate that Beijing’s growing military power will eventually detach Asians from the U.S. orbit and lead them to switch their allegiance to China in the security sphere as well.⁹ Unlike the Chinese, Asians seemingly lack the

⁸ Jacek Kugler, et al, “Power Transitions and Alliances in the 21st Century,” *Asian Perspective*(2001), 25:5–29.

⁹ Discussions with CICIR and CIISS researchers in Beijing, (June 20–27, 2010).

ability to think and plan strategically and mobilize the necessary resources and political will to achieve grand strategic goals. As the power gap widens, the costs and risks of resisting or containing China will be too great to bear. The region could be overwhelmed by Chinese economic blandishments to support regimes politically hostile to the United States and its allies. Faced with the Chinese juggernaut, Asians may well conclude that the prudent course is to cut their losses and slide under the protective umbrella of Chinese hegemony. From Beijing's perspective, this would be the best-case scenario. The sooner the realization dawns on China's neighbors that they can do little to contain China's phenomenal rise and global influence, the better they would be placed to benefit by partnering that growth and sliding into a supporting role. Capitulation to Chinese power by India, Vietnam, and the Philippines would, in turn, propitiate Beijing and prompt it to show magnanimity in settling the territorial/maritime disputes with its erstwhile estranged neighbors.

Some scholars have long argued that China's growing power would enable Beijing to replicate a new version of the old hierarchical Sino-centric tributary state system in time to come and that this would negate the possibility of *realpolitik*-inspired balancing by China's Asian neighbors.¹⁰ Noted China-watcher Ross Terrill maintains that China's long-term strategy is driven by the twin goals of establishing its hegemony in Asia and regaining territories that Beijing feels fall within its sovereignty.¹¹ Chinese strategic writings indicate a preference for a unipolar Asia with China at the center of regional order and a multipolar world.¹² Naturally, this makes it hard for China to accept any externally imposed barriers to its growth. Through a combination of trade, aid, resource

¹⁰ See, for example, David Kang, "Hierarchy, Balancing, and Empirical Puzzles in Asian International Relations," *International Security* (Winter 2003/04), 28:3, 165–180.

¹¹ Ross Terrill, "Inside the Chinese mind," *Wilson Quarterly*, (September 2005).

¹² In contrast, the United States prefers a multipolar Asia and a unipolar world. For India, Japan, Russia, and others, a multipolar Asia is essential to achieving their autonomy in decision making. However, China fears a multipolar Asia would degenerate into anti-China alignment.

extraction and infrastructure development, arms sales, and bases, Beijing is extending its strategic perimeter in the Pacific and the Indian oceans.

On a normative level, China's growing global influence will also empower it to lay down new rules for the post-American international order. Evidently, China seems uncomfortable with many of the laws and norms that undergird the international system. With growing global power, and an increasingly nationalistic public opinion at home, Beijing aspires to rewrite the rules on trade, currency, technology, navigation of the seas, water resources, and climate change to protect Chinese interests. China already operates both within and outside the international system, seeking to mold it to serve Chinese interests while at the same time, in effect, working to establish a new Sino-centric regional order. Beijing has been using global norms and conventions and its growing clout in multilateral organizations to promote China's core interests or have its foreign-policy agenda endorsed while defining limits to US power, and marginalizing China's rivals. One can conceive of situations that might produce, singularly or in combination, a scenario wherein Asia accommodates itself to an exponential growth in China's power and accepts Chinese supremacy in the region. From Beijing's perspective, this would be the best-case scenario. However, this scenario could only be realized provided a number of conditions are met.

For example:

- If China can sustain near-double-digit economic growth, and accept the territorial status quo, it would enable Beijing to attract most middle and small powers in support of its leadership role, thereby ushering in a major power shift in Beijing's favor.
- If Beijing can keep the lid on nuclear proliferation in North Korea, and induce the Kim Jung-Un regime to introduce China-style economic reforms, economic growth would take center stage. This would allay the security concerns of

South Korea, Japan, and the United States, and refurbish China's credentials as a troubleshooter and a responsible stakeholder.

- If a demographically and economically shrinking Russia lacks the power (albeit, not the will) to counterbalance China in Central, Southwest, and South Asia, and throws in its lot behind China.
- If Taiwan seeks accommodation with the PRC as the overall balance of economic and military power shifts decisively in Beijing's favor.
- If a sequence of catastrophes weakened India severely, for example, a nuclear conflagration, a two-front war with Pakistan and China, another partition caused by the growing Hindu-Muslim divide, or the success of *jihadi* and Maoist terrorism in unraveling the Indian Union. A "domino effect" could then end in the emergence of several weak and warring states in South Asia, all vying for Chinese aid and support. Short of India's disintegration, if the PLA succeeds in giving India's military a bloody nose, Indian leaders would then be much more deferential in dealing with China and Beijing would not need to worry about the "India challenge" any longer.
- If the US economy goes into free fall following the collapse of the American dollar, culminating in the reduction or withdrawal of the US forward military presence, and if Japan slides into China's orbit following the return of Taiwan to China's fold. In that event, New Delhi's misplaced faith in the US-Japanese duo to enable India's rise as an equal to China would undergo a quick burial. A weakened Russia might also fall short of great Indian expectations. Devoid of great-power backing and left to fend for itself on multiple fronts, New Delhi would want to steer clear of any potential aggravation of or competition with Beijing.
- If a weakened Japan and an isolated India, having fallen so far behind China in relative power terms, chose to cope

with the rise of China by bandwagoning with, rather than balancing against, the superpower on their doorsteps.

Conclusion

China and the Asia-Pacific region stand at a crossroads. Strategic concerns loom large as China's growing power and reach run up against the interests of other powers. China's emergence as the engine of world economic growth means that, short of a major crisis, an explicitly anti-Chinese alignment would be, politically, a hard sell. Of all the scenarios considered above, the one with the highest probability in the near future is that of a combination of weak unipolarity, both at global and regional levels, and a bipolar Asia manifesting in geopolitical competition and selective partnership on transnational issues of mutual interest. The emergence of regional multipolarity could produce stability and peace among the major stakeholders.

Chapter Fourteen

Victor Larin

Russia and China: New Trends in Bilateral Relations and Political Cooperation

Executive Summary

- There are two pillars in the current Russia-China bilateral interactions. The first is their relationship in the sphere of “high politics,” between heads of states and top-level officials. The second is made up of cross-border and transnational relations.
- For the past two decades, “high politics” has continuously grown and the political will of both parties has been one of the few engines contributing to the rapid growth of bilateral trade and economic exchanges.
- The structure of transborder economic exchanges that spontaneously emerged in the 1990s remains the weakest point of Russian-Chinese relations and hinders their development.
- While the leaders of the two countries demonstrate high levels of mutual confidence, the political trust between the two countries is still lacking at the lower-administrative and public levels.
- Russia and China have repeatedly demonstrated that they have similar approaches to key issues of contemporary world order and major international problems. The struggle against perceived American hegemony is the most powerful driver bringing Moscow and Beijing together.
- In recent years, there seems to be a growing conviction of Russian and Chinese leaders that relations between the two states could become the cornerstone of a new security system in East Asia and the Pacific region. At this stage, the joint Russo-Chinese initiative on “new security architecture” in the region looks fairly abstract, representing a set of attractive principles that almost every country will accept, rather than real and substantive initiatives. However, it may start to look more attractive in the context of growing instability in the region and the world.

Introduction

The year 2011 was marked by several “small anniversaries” of the recent history of Russia-China relations. Twenty years ago (December 27, 1991), Beijing announced the recognition of Russia as an independent state, after which the Protocol on bilateral relations was signed (December 31), becoming the first of hundreds of Russian-Chinese agreements in the post-Cold War history of their relations. Next was the fifteenth anniversary of the “strategic partnership” between the two countries (April 1996), declared by the parties to become the core of their relations in the twenty-first century. Ten years ago, the Shanghai Cooperation Organization was established (June 2001) and the “Treaty on Good Neighborly Friendship and Cooperation between the Russian Federation and the People’s Republic of China” signed (July 2001). The leaders of both states called it a “political document that determines the development of Sino-Russian relations in the new century.”¹

As the legal formalization of a strategic partnership, it was and it is. For both states, the treaty had and still has an important ideological, regulatory, and practical importance. First, it has sealed their common approaches to many issues of each country’s domestic policies, as well as to processes and phenomena of international affairs. The latter is no less important than the former. The bilateral relationship is vital not only for Russia and China, it has also become one of the landmarks of world politics. At the very least, the leaders of China and Russia believe so.² Second, the treaty has constructed the basis for concrete decisions in various areas of bilateral relations.

¹ Moscow Joint Statement of Russia and China Heads of State (Московское совместное заявление глав государств России и Китая), *Collection of Russia-China Documents (Сборник российско-китайских документов)*, 1999–2007 (Moscow, 2007), 153.

² In November 2010, summing up the regular Summit, heads of governments of the two countries stated that the development of Russian-Chinese relations, “not only brought actual benefits to both peoples, but also made an important contribution to strengthening peace and stability in the world,” *Joint Communiqué of the 15th Summit of Heads of Governments of China and Russia*, (中俄总理第十五次定期会晤联合公报), <http://www.fmprc.gov.cn/chn/gxh/zlb/smzg/t771908.htm>.

Bilateral Relations

Current Russia-China bilateral interactions are based on two solid pillars. The first is the relationship in the sphere of “high politics,” between heads of states and top-level officials. For two decades, this relationship has continually demonstrated a very high standard, sometimes to the detriment of practical results. Not surprisingly, the superlatives have become almost mandatory in the political assessment of bilateral relations. In April 2011, not long before his trip to China, Dmitry Medvedev reiterated the thesis of the “highest point” of Russian-Chinese relations in their entire history³. China’s Foreign Ministry officials, evaluating the results of Sino-Russian relations in 2010, also stated that “the bilateral political mutual trust, practical cooperation, people-to-people exchanges, and strategic coordination reached an unprecedented level.”⁴

There is a lot of evidence to support such assessments. First of all, there are regular and close contacts at the highest level, during which the partners confidentially discuss the most pressing issues of world politics and bilateral relations.⁵ Since 1996, a mechanism of annual meetings of heads of governments of Russia and China has been functioning. There are two dozen various intergovernmental committees and subcommittees working in different fields of relations. Consultations on strategic security issues are held regularly. Intergovernmental and interagency agreements cover virtually all areas of bilateral cooperation. Actually, the political will of both parties is one of the few engines that has assured the rapid growth of bilateral trade and economic exchange during the past decade.

³ Dmitry Medvedev Interview with China Central Television (April 12, 2011), available at: <http://kremlin.ru/transcripts/10911>.

⁴ China and Russia, <http://www.fmprc.gov.cn/eng/wjb/zzjg/dozys/gjlb/3220/t16725.htm/>.

⁵ In 2010, Dmitry Medvedev and Hu Jintao met seven times (April in Brasilia, May in Moscow, June in Tashkent, Moscow, and Toronto, September in Beijing, and November in Seoul), while in 2011 they held only three meetings, but the results of the official visit of Prime Minister Vladimir Putin to Beijing in October 2011 more than offset a smaller number of meetings between the heads of states.

The second foundation of Russia-China cooperation is the cross-border and interregional interactions. These have little to do with interstate cooperation at the highest level, but are driven by vital interests of the people and businessmen living on both sides of a very long, Russian-Chinese border. Hundreds of administrative units and tens of millions of people are involved in this relationship.

In the first decade of the twenty-first century, Russia and China embarked on major bilateral projects. These projects are not very numerous, mostly having humanitarian or sometimes even virtual character. They somewhat pale against the backdrop of the cooperation of the mid-1950s, when the Soviet Union literally created new industries in China and introduced advanced technologies to it. But the partners did not have such projects for half a century. The largest economic project covers energy cooperation, which, according to Russian Foreign Minister Sergei Lavrov, today not only serves “as the main load-bearing structure of cooperation,”⁶ but, following the statements of Chinese experts, “has a strategic character,” because “it is raised to the level of economic strategy and energy diplomacy.”⁷ This cooperation includes not only a long-term agreement to supply Siberian oil to China, but also joint projects in natural gas, coal, and nuclear and hydro power.

On January 1, 2011, the Russia – China pipeline was put into service officially, and, during its first year of operation, 15 million tons of oil were delivered to China through it. Actually, that is not much, given China’s huge total-energy consumption. Russia accounted for just 6 percent of the country’s oil imports in 2011, while the Middle East remains the main supplier of petroleum for China. However, in this time of growing competition for energy resources and the deterioration of the situation in the Middle East

⁶ Article by Russian Foreign Minister Sergei Lavrov in *Renmin Ribao* (15 July 2011), available at: <http://www.mid.ru/bdcomp/nsrasia.nsf/1083b7937ae580ae432569e7004199c2/c32577ca00174586c32578ce0022e15a!OpenDocument>.

⁷ See Jin Jianghong, *The Results and Perspectives of China-Russia Cooperation in Energy Sphere (2010-2011)*, (Цзинь Цзяньхун. Итоги и перспективы китайско-российского энергетического сотрудничества 2010-2011 гг.), <http://legal-way.ru/news1377.php>.

and North Africa, Russia's importance for China as a strategic partner in energy increases.

The program of regional cooperation between Russia's Eastern Siberia and Far East and China's Northeast, adopted by Medvedev and Hu Jintao in September 2009, is still more symbolic than real, but, if revised and modernized, it could act as a locomotive to develop both countries' peripheral territories.

There are some impressive concrete results of bilateral relations.

In terms of economy, since 2000 to 2011, the volume of Sino-Russian trade has increased almost fourteen times (from US\$5.72 billion to US\$79.3 billion)⁸, of accumulated Chinese investment in Russia, from US\$100 million to US\$ 2.6 billion, and Russian investment in China, from US\$220 million up to nearly US\$1 billion.⁹

In the area of human exchanges, the number of Russians who traveled to China grew from 997,000 people in 2000 to 2.54 million in 2011.¹⁰

Regarding cross-border cooperation, from 2000 to 2011, the volume of trade between the Far East and China rose from US\$1.1 billion to \$8 billion, while that between Heilongjiang province and Russia grew from US\$1.4 billion to US\$19 billion.¹¹ During the same period, the number of Chinese workers annually involved in the economy of the Far East and Transbaikal region increased from 15,000 to 90,000.

Obviously, people who do wish to give a positive assessment of the results of the development of relations have enough arguments. Yet the skeptics have no fewer arguments to the contrary. If anybody evaluates the results of the past decade in Russia-China relations in

⁸ China Customs, available at: <http://www.customs.gov.cn>. According to the Russian side, Russia-China trade reached \$83.5 billion in 2011" (V. Putin, Russia and China: New Horizons for Cooperation, June 5, 2012, available at: <http://eng.kremlin.ru/news/3955>)

⁹ Dmitry Medvedev's Interview to China Central Television, April 12, 2011, available at: <http://kremlin.ru/transcripts/10911>.

¹⁰ National Tourism Administration of the People's Republic of China, available at <http://www.cnta.gov.cn>; The Russia Federal Agency for Tourism - <http://russiaturism.ru>.

¹¹ Federal Customs Service, Far Eastern Customs Directorate, available at: <http://dvtu.customs.ru>; Heilongjiang Provincial Bureau of Statistics, available at: <http://www.hlj.stats.gov.cn..>

terms of “what has not been done” and “let’s compare,” he will certainly be much more pessimistic about them. The proponents of such an approach will not fail to notice that, over the past decade, Russia has dropped from the top ten trade partners of China, its share in China’s foreign trade is less than 2 percent, the volume of trade between Russia and China in 2010 was 8.6 times less than China’s trade with the European Union, 8.2 times less than its trade with the United States, 5.4 times that with Japan, and 3.7 times that with South Korea, the share of Russia’s investments in China and China’s in Russia is below 0.5 percent¹² of the total foreign investment in each of these countries, Russia has turned into a resource exporter and an importer of finished goods from China, and so on.

Even if this assertion is true, was there an alternative? Hardly so. The mentality and mindset of the Russian political and business elite of the past two decades, as well as the patterns and outcomes of socioeconomic reforms in Russia, leave no doubt that these results of bilateral interaction have actually been predetermined. It is the Russian elite’s and the overwhelming proportion of the population’s traditional piety of the West and wariness and suspicion of the East that have hindered numerous attempts of the Chinese leadership to deepen Sino-Russian relations.

It is natural that elements of stagnation in Russia-China relations have shown most visibly in the economic field. The structure of bilateral economic exchange that spontaneously emerged in the 1990s remains the weakest point of Russian-Chinese relations and hinders their development. That was the system in which the barter trade and exchange of low-quality goods dominated, while smuggling, “gray imports,” “shuttle trade,” and speculative transactions flourished. That system created an ideology and infrastructure (including a social one) of relations that still influences both countries’ and people’s minds and actions.

¹² See: China Customs Statistics, available at: <http://www.chinacustomsstat.com>; Invest in China, Investment Statistics, available at: <http://www.fdi.gov.cn>; An Analysis of Russia-China Bilateral Economic Relations, available at: <http://china.inconnect.ru/?id=50>.

The China side saw the roots of stagnation in the insufficient level of mutual trust. The Russian side has responded to China's complaints with accusations about "lack of policy credibility." As a result, almost all basic documents and major speeches of political leaders of the two countries for the past five years, addressed to their Chinese and Russian partners, included pledges "to strengthen political mutual trust." In particular, Dmitry Medvedev has frequently emphasized that "Russia-China ties are in a period of favorable development, with mutual political trust between the two countries obviously enhanced... that Russia is willing to work together with China in strengthening mutual political trust..."¹³ According to Medvedev, "our countries..., the majority of our citizens . . . remain close, neighboring, friendly,"¹⁴ and the Russian-Chinese relations have never before been "characterized by such a high level of mutual trust."¹⁵

While the leaders of the two countries demonstrate a high level of mutual confidence, the idea of deep political trust between the two countries and peoples still lacks a strong administrative and political framework. Nor does it have broad support among the Russian and Chinese bureaucracy and general population. Distrust of Beijing itself, and its policies, in particular, is deeply rooted among Russian political and business elite and ordinary people. The idea of a "China threat" is alive, horror stories about the future of Chinese expansion in Russia fill the space of the Russian Internet. Moreover, Russia still lacks a deep understanding of its own interests in the East, as well as that of the role of China in its very vague and amorphous Asia-Pacific strategies.

¹³ Hu Jintao Meeting with Russian President Medvedev, March 3, 2011) (胡锦涛会见俄罗斯总统梅德韦杰夫), available at: <http://www.fmprc.gov.cn/eng/zxxx/t874486.htm>.

¹⁴ Dmitry Medvedev's Interview to China Central Television, (April 12, 2011), available at: <http://kremlin.ru/transcripts/10911>.

¹⁵ Dmitry Medvedev's Interview to *Renmin Ribao* newspaper (September 26, 2010, available at: <http://kremlin.ru/news/9020>).

As for China, it needs, as Alexei Voskresensky notes, Moscow's "informal political and diplomatic support"¹⁶ to resist attacks of the ideologically hostile West. From the economic point of view, however, the "hostile" but rich and advanced West is much more important and attractive to the mostly pragmatic Chinese than ideologically close, but technologically backward, Russia.

A certain stagnation in bilateral economic relations, an increased number of international issues on which the views of Russia and China have much in common, and, most important, increasing pressure on China from the United States and the desire of Beijing to enlist Moscow's support in engineering the "new world order" have resulted in Beijing's attempt to shift the accent of Russian-Chinese relations into the sphere of international affairs and regional security. Moscow once again went in the wake of Chinese initiatives.

World Politics and Security

Summarizing the development of Russian-Chinese relations in the last decade and assessing their current status, Moscow and Beijing have declared "a new stage of their development." Once again, the initiative comes from the Chinese side, which is experiencing increasing pressure from the United States in the international arena and needs not only a secure rear, but also a reliable partner and ally in international affairs. Russia, in the Chinese leadership's opinion, may be such a partner. Elaborating on this theme, in November 2011, Hu Jintao said, "The next ten years will be a period of important strategic opportunities for national development in both China and Russia... The efforts of the two countries to deepen their all-round cooperation and strengthen mutual support will be of great significance to safeguarding the national sovereignty, security, and developmental interests of both nations,

¹⁶ "Changing China in the Changing World," *Far Eastern Affairs* (2011), 1: 67.

and to promoting more balanced relations between international forces.”¹⁷

Since the 1990s, Russia and China have successfully coordinated their approaches to key international issues. The two countries have held the same or similar positions on global issues such as the UN Security Council reform, global economic governance, climate change, food security, and energy security, as well as in addressing regional flash-point issues, including the Korean Peninsula, Iran, Syria, and Afghanistan. China and Russia established Shanghai Cooperation Organization, which, during the past ten years has become “an important pillar of regional security and stability, providing strong support for the peaceful development of the region.”¹⁸ Experts make too much of the potential contradictions between Russia and China in Central Asia, but it is clear that their common desire to prevent the strengthening of American influence in the region, as well as the spread of radical Islam there, far outweighs their potentially conflicting interests.

As for Russia, the syndrome of a “China threat,” which is well pronounced in shaping Moscow’s policy toward the two countries’ bilateral relations, disappears when it comes to international affairs. In this area, China is, so far, Russia’s confidante and partner, especially facing, if not a common enemy, a shared opponent, that is, the American thrust to dominate in international affairs. The struggle against perceived American hegemony is the most powerful driver bringing together the Kremlin and Zhongnanhai in contemporary international affairs.

In recent years, one can see a growing conviction of Russian and Chinese leaders that relations between the two states could become the cornerstone of a new security system in East Asia and Pacific region. The initiative to establish a comprehensive Asia-Pacific architecture of security and cooperation proposed by the leaders of the

¹⁷ Hu Jintao Meeting with Russian President Medvedev (November 3, 2011) (胡锦涛会见俄罗斯总统梅德韦杰夫), available at: <http://www.mfa.gov.cn/chn/gxh/tyb/zyxw/t873599.htm>.

¹⁸ Yang Jiechi, “Work Together for Good-neighborliness and Harmony, on the Occasion of the Summit Commemorating the Tenth Anniversary of The Shanghai Cooperation Organization, available at: http://www.fmprc.gov.cn/eng/topics/hjtcxshfh_2011/t829905.htm.

two countries during the visit of Dmitry Medvedev to China in September 2010 became the logical result of that mutual conviction, as well as Russia and China's close cooperation in international affairs. The two sides called for the establishment of an open, transparent, and equitable system of security and cooperation in the Asia-Pacific, based on the principles of international law, non-bloc principles, and taking into account the legitimate interests of all parties.¹⁹

The initiative has been circulated as an official document of the sixty-fifth session of the UN General Assembly. Its provisions were voiced in the statements of Russian Foreign Minister Sergey Lavrov at various international forums, including the East Asia Summit in November 2011. According to Lavrov, "the strategic dialogue within the framework of the EAS should focus on improving the architecture of security and cooperation in the region. In this work, it is important to proceed from a strong commitment to the principle of the indivisibility of security and of the inadmissibility of attempts to strengthen one's own security at the expense of others."²⁰ Russian foreign-policy officials believe this initiative may be a unifying idea for the Asia-Pacific region.²¹

From China's perspective, the initiative to create such an architecture is in line with its intention to convince the international community of Beijing's peaceful intentions, as well as promote the concept of "China's Peaceful Development." Symbolically, at the beginning of September 2010, shortly before initiating a new security idea for the Asia-Pacific, China's State Council published a "White paper on peaceful development," which reiterated China's foreign-policy aims, including promo-

¹⁹ Russian Federation and Chinese People's Republic Joint Statement on Comprehensive Deepening of Sino-Russian Partnership and Strategic Cooperation (Совместное заявление Российской Федерации и Китайской Народной Республики о всестороннем углублении российско-китайских отношений партнерства и стратегического взаимодействия), available at: http://news.kremlin.ru/ref_notes/719.

²⁰ Statement by Russian Foreign Minister Sergey Lavrov at the Sixth East Asia Summit Plenary Session (Bali, Indonesia, November 19, 2011), available at: http://www.mid.ru/bdomp/brp_4.nsf/e78a48070f128a7b43256999005bcbb3/aa5c9cedd0a55a3f4425794f003aabb2!OpenDocument.

²¹ Russian Deputy Foreign Minister Alexei Borodavkin Interview to the Newspaper Kommersant (Moscow, November 29, 2011), http://www.mid.ru/bdomp/brp_4.nsf/e78a48070f128a7b43256999005bcbb3/4c9e11d31995fa1d442579580059c486!OpenDocument.

tion of a “new thinking on security featuring mutual trust, mutual benefit, equality, and coordination,” as well as Beijing’s desire to create “a peaceful international environment and favorable external conditions.”²²

The Chinese leaders directly link this “new thinking” with the principles developed in the SCO, the so-called “Shanghai spirit, featuring mutual trust, mutual benefit, equality, consultation, respect for diverse civilizations, and pursuit of common development. As Hu Jintao declared at the 11th Meeting of the Council of Heads of State of the Shanghai Cooperation Organization, the SCO “provides the international community with invaluable experience in searching for a new kind of security thinking and state-to-state relations.”²³

At this stage, this “new security architecture” looks fairly abstract, representing a set of attractive principles that almost every country would accept rather than real and substantive initiatives. But it may start to look attractive in the context of growing instability in the region and the world.

Conclusion

The experience of the past two decades shows that Russia and China are not particularly effective friends in the economic dimension. With the exception of energy cooperation, general economic interaction looks bleak. In addition, stressing economic recovery and modernization of the nation, Russia’s leaders don’t seem able to divert their eyes from the Western capital and markets, while Beijing’s capabilities to assist Russia in this area are deemed insignificant. It is possible that a too close attention of top leadership to the economic field creates the opposite effect. Moscow and Beijing do it much better in global and regional politics and security, where they have many similar interests and common approaches. Therefore, the focus of their relations slowly moves to this area.

²² China’s Peaceful Development (中国的和平发展), (September 2011), available at: http://www.gov.cn/zwgg/2011-09/06/content_1941258.htm/.

²³ For Peace, Development and Enduring Friendship, remarks by H.E. Hu Jintao, President of the People’s Republic of China at the Eleventh Meeting of the Council of Heads of State of the Shanghai Cooperation Organization, (Astana, June 15, 2011), available at: http://www.fmprc.gov.cn/eng/topics/hjtcxshfh_2011/t833513.htm.

Chapter Fifteen

Artyom Lukin and Tamara Troyakova

The Russian Far East and the Asia-Pacific: State-Managed Integration

Executive Summary

- The success of Russia's engagement with the Asia-Pacific hinges crucially on whether its Far East can be transformed from the country's backyard into its Pacific front gate.
- While in the 1990s Moscow almost completely neglected the Russian Far East, under Vladimir Putin, the central government began to reassert its influence, including in the area of the region's external links. One of the most important developments has become the launch of an array of major state-funded projects designed to boost the economy of the Russian Far East and encourage its integration into the Asia-Pacific. The September 2012 APEC summit in Vladivostok is an important step in that direction, aimed at giving an extra impetus to the Far East and showcasing it to the international community.
- Russia's regional integration has an important demographic dimension as well. The Russian Far East's population decline, which began in 1991, has resulted in the loss of a quarter of its population. Russia needs to diversify its foreign migration sources, as its increasing demographic needs may not be fully satisfied by problematic Chinese or Central Asian immigration. In particular, Moscow might start paying attention to large suppliers of human resources, such as Bangladesh, India, the Philippines, and some other nations in Southeast and South Asia. Thus, the Russian Far East may need more integration with the Asia-Pacific, not just in terms of trade, but also for the sake of increased human inflows to boost its flagging demography.

- Having experienced the chaotic liberalization of external links in the 1990s which threatened national security, the Russian government is now pursuing a state-managed integration of the Russian Far East into the Asia-Pacific economy. The success of this dirigiste strategy depends on the continued availability of considerable financial resources in Russia's development budget, as well as competent and clean governance.

Introduction

Russia belongs to the Asia-Pacific by virtue of having its own Pacific territories, or the Russian Far East. This region has no legal administrative status within the Russian Federation. An expression, "Eastern Siberia and the Far East," is often used to refer to the area east of Lake Baikal, without drawing a clear distinction between "Siberia" and "the Far East." Since 2000, the term "Far East" has been increasingly used to signify the Far Eastern federal district, which is made up of nine territories with the constitutional status of "federal subjects." They are Primorskiy krai, Khabarovskiy krai, Kamchatskiy krai, Sakhalinskaya oblast', Amurskaya oblast', Magadanskaya oblast', the Republic of Sakha (Yakutia), the Jewish autonomous district, and the Chukotskiy autonomous district. Although the Far East occupies more than one-third of Russia's total area, it has only about 6 million residents.

Over the history of the Russian Far East, two alternating patterns have shaped its interactions with the neighboring countries of the Asia-Pacific. The first pattern involves relative freedom in foreign trade and migration flows. The second has restricted external links, with tightened state controls, although the tightness of those controls may vary, from nearly total, as in the Soviet period of the 1930s through the 1980s, to selective restrictions, as in the present day. The logic behind the alternation of these patterns stems from a number of variables, such as international politics, economic situation, and the general condition of Russia's state political system.

During the past twenty years, the Russian Far East's interactions with the Asia-Pacific have dramatically expanded. It is thus important to understand not only Russia's national interests in the Asia-Pacific, but also those of subnational actors in the Russian Far East.

The Historical Experience

Russian expansion across Siberia moved in both northern and southern directions. After the signing in 1689 of the border Treaty of Nerchinsk with China, which blocked Russians' advance into the Amur River basin, their further expansion was directed toward the Northeast, all the way to Alaska. It was not until the middle of the nineteenth century that Russia came back to the Amur Region. By the Treaty of Beijing in 1860 the Russian empire had acquired the southern part of what was to become its Far East, gaining access to the Sea of Japan. According to the American historian John Stephan, "Russia absorbed Priamurye and Primorye by a combination of encroachment, diplomacy, and luck."¹

In 1884, the Transbaykal, Amur, Primorye, and Sakhalin districts were united in a newly created Priamurye governor-generalship. It was the first separate administration for the region, and provided an institutional framework for a regional identity distinct from that of Siberia. Also, the Far East had quite a lot of ethnic and cultural diversity, accommodating not only Russians but also Ukrainians, Estonians, Jews, Germans, as well as Chinese, Koreans, Japanese, and other ethnic groups. Immigration shaped regional development and added a cosmopolitan shade to the region.

At the end of the nineteenth and the beginning of the twentieth centuries, the Russian Far East was largely open to contacts with foreign countries. Labor resources were formed by migration not only from the European part of Russia, but also by migration from China, Korea, and Japan. However, growing international

¹ John J. Stephan, *The Russian Far East: A History* (Stanford: Stanford University Press, 1994), 47.

presence and the openness of the Far Eastern market caused controversy. There were public debates that revolved around whether the region should maintain the free trade zones along the Chinese frontier and in regional ports. As a result, in 1913, the free trade zone along the Sino-Russian frontier was abolished.

During the early Soviet period in the 1920s, the Far East existed as a relatively autonomous economic area with porous external borders. However, in the 1930s, the model of full state control was introduced into the region, closing it off from the neighboring countries. The Soviet system imposed an economic structure that concentrated on the development of the natural resources of the region for the needs of the national economy. With the accelerated development of mining and defense industries, the region was turned into a war fortress.

Under the Soviet Union, the region had very limited economic and human ties with the outside world.² Nikita Khrushchev's visit in 1959 to Sakhalin and Vladivostok was a chance in the context of his attempt to decentralize the Soviet economy. He famously promised that Vladivostok would be the second San Francisco someday. Some growth in the regional engagement with the outside world took place in the 1970s and 1980s. For example, the Vladivostok-based Far Eastern Shipping Company became a major freight carrier in the Pacific. The Soviet Far East reached a new high in its exports of timber, fish, and minerals, and imports of industrial equipment and consumer goods. The signing of a number of trade agreements between the Soviet Union and Japan was the focus of an export-oriented strategy. An outline for future development of the Sakhalin offshore oil and gas deposits was conceived at that time.

In 1986, Soviet leader Mikhail Gorbachev proclaimed a new era of engagement with the Asia-Pacific region during his Vladivostok visit. He stressed that the Cold War era was ending and the

² For example, Vladivostok, the region's biggest city and its main seaport, was officially closed to foreigners until 1991.

Soviet government would seek to open up the region and develop it as part of a broader Asia-Pacific economy. Although still state-owned, the Far Eastern enterprises were allowed some freedom to begin trade interactions with foreign partners.

1990s: The Retreat of the State

While for most of the Soviet period the Far East existed virtually isolated from the international environment, the situation abruptly changed in the early 1990s, when the Soviet regime collapsed. In the 1990s, the Russian Far East enjoyed almost full liberalization in its external relations, especially in trade. This was due to several factors, of which the most important was the radical shift in the nation's political and ideological paradigms, resulting in the dominance of market liberalism.

Moreover, the financially struggling central government virtually abandoned many of its obligations to the Russian Far East, which had always heavily relied on subsidies and aid from Moscow. This forced the region to survive on its own. Liberalizing contacts with the neighboring Asia-Pacific countries was then seen as a way for the Far Eastern territories to subsist, with the promise of boosting their economies by hooking up to East Asia's booming markets.

The shedding of Moscow's controls over external contacts was also caused by the general breakdown of the state apparatus in the 1990s. The government could not have managed international links of the remote region even if it had wished to do so. Positive changes in international politics played a role, too. After the end of the Cold War, Russia did not have to worry any longer about military threats from its Asia-Pacific neighbors. The United States and Japan were declared most valued partners of the democratic Russia, while relations with China became fully normalized.

However, the laissez-faire model of international integration, as practiced in the Russian Far East in the 1990s, proved to be a failure. Although it enriched some businessmen and helped certain

sectors of the population make their livings, this model was leading to the region's degradation rather than stimulating its development. The lifting of trade and border barriers while the state and law enforcement institutions were extremely weakened resulted in predatory overexploitation of the region's natural resources, exacerbated corruption and transnational crime, and ultimately threatened Russia's national security on its eastern borders.

2000s: The Return of the State

From the early 2000s onward, the shift to controlled and managed international integration has been taking place in the Russian Far East. Its main characteristics are as follows:

- 1) strengthened controls over foreign trade, especially in the exports of the region's main staples, such as fish and timber;
- 2) restrictions on certain imports from neighboring countries, such as a crackdown on "shuttle trade" with China conducted by individual petty merchants and the imposition of prohibitive tariffs on imported cars;³
- 3) tougher rules on foreign labor migrants;
- 4) implementation of major infrastructure and industrial projects, largely through government-related funding, with many of the projects aimed at the Asia-Pacific markets.

While in the 1990s Moscow almost completely neglected the Russian Far East, largely leaving the region to its own devices, under Putin, the central government began to reassert its influence, including in the area of the region's external links. One of the most important developments has become the launch of an array of major projects designed to strongly boost the economy of the Russian Far East and encourage its integration into the Asia-Pacific in a more efficient and sustainable manner. In December 2007, the Russian government approved a program for economic and social

³ The imported cars are mainly second-hand vehicles from Japan.

development of the Far East and Trans-Baikal region, committing to invest more than 1 trillion rubles (approximately 30 billion U.S. dollars) over six years, an unprecedented sum for the region.⁴ The money is to be spent on the construction and modernization of transportation, energy, and other kinds of infrastructure, as well as launching new industrial production. The bulk of the efforts and funding is focused on Vladivostok, the venue for the Asia-Pacific Economic Cooperation summit in 2012. The government even adopted a special program under the title, “Vladivostok City as a Center for International Cooperation in the Asia-Pacific Region.”

When, at the APEC leaders’ meeting in Sydney in September 2007, Putin announced the decision to host APEC 2012 in Vladivostok, many, both in Russia and abroad, expressed their bewilderment, questioning the wisdom of choosing a Far Eastern city with almost nonexistent infrastructure over Moscow and Saint Petersburg for hosting a high-profile international event. Explaining the decision to bring APEC to Vladivostok, Putin and other top Russian leaders emphasized that it was aimed at giving an extra impetus to the Far East and showcasing it to the international community.

Although “the Far Eastern program” was formally launched in 2007, during the “fat years” of a booming economy, Moscow did not abandon or suspend its implementation, even when the global crisis of 2008-09 hit Russia’s economy hard. The government reaffirmed its commitment to invest billions of dollars in the Far East, and large-scale construction continued apace, especially in Primorskiy krai and Vladivostok.⁵ The most visible projects include,

⁴ Pavel Minakir, Olga Prokapalo, “Programmy i strategii razvitiya rossiyskogo Dal’nego Vostoka” (*The programs and strategies for development of the Russian Far East*), *Problemy Dal’nego Vostoka (Far Eastern Affairs)*, (2011), 5: 98.

⁵ At the beginning of 2009, some government officials suggested that, in order to save money, the venue for the APEC summit should be moved from Vladivostok to Saint Petersburg, where all the necessary facilities for hosting major international events were already in place. However, the proposals were rejected by Russia’s top leadership.

among others, the construction of a large, state-of-the-art university campus,⁶ two big sea bridges,⁷ a petrochemical plant, an oil pipeline from Eastern Siberia, a natural-gas pipeline from Sakhalin Island, and the reconstruction and enlargement of the Vladivostok airport. Furthermore, in 2009, some new projects were approved by the government, such as an automobile assembly plant in Vladivostok⁸ and two big shipyards to be built in the south of Primorskiy krai. The massive influx of government money helped the Far East to weather the economic crisis of 2008-09 with less pain than most other Russian territories.

In 2009, the government started subsidizing passenger air travel on the most popular routes connecting Far Eastern cities with Moscow, Saint Petersburg, and Sochi. Travelers under the age of twenty-three and over sixty are entitled to air tickets at half their regular price. The high cost of travel from the Far East, along with low average incomes, had made it impossible for many residents of the region to make trips to the western part of the country. Many Far Easterners, especially among the youth, had never visited their national capital, while regularly traveling to nearby China, Japan, and South Korea. Thus, one of the main goals of the subsidized air fares is to overcome the isolation of the Far East from the rest of the country and reinforce the Russian identity of the region's population.

Indicative of how much attention Moscow is now paying to the Far East and its main city, Vladivostok, has been the high frequency of visits by top government officials. For instance, in 2011

⁶ Located on the picturesque Russkiy Island off Vladivostok, the world-class campus will house Far Eastern Federal University and be capable of accommodating up to 50,000 students. The university is designed as an education and research center of academic excellence that would be able to attract students and scholars not only from Russia, but from the Asia-Pacific, as well. The university construction is scheduled to be completed by the time of APEC Leaders' meeting in early September 2012, so that its facilities can be used as the summit venue.

⁷ The bigger bridge, more than 3 kilometers long, will link Vladivostok to Russkiy Island, while the smaller one will connect two main parts of the city across the bay.

⁸ One of the main motives to launch the manufacturing of cars in Vladivostok was to compensate the region for the loss of access to relatively cheap cars from Japan, whose imports were drastically cut by prohibitive customs duties in 2009.

alone, President Dmitriy Medvedev visited Vladivostok once, while Prime Minister Putin traveled there two times, and his first deputy, Igor Shuvalov, visited the city repeatedly over the year.

However, Moscow also took a measure that undermined a key sector of the region's foreign trade and hurt some groups in the Far East. Starting from January 2009, in order to provide protectionist support for the struggling Russian car manufacturing industry, the government slapped prohibitive tariffs on most types of imported autos.⁹ This significantly reduced the imports of vehicles from Japan, a business which, by some estimates, had directly and indirectly employed up to 100,000 people in the Russian Far East, particularly in Vladivostok, and given many people access to relatively cheap, high-quality autos. The government actions triggered mass protests culminating in Vladivostok in December 2008. The protesters convened a rally outside the regional government building, then drove their cars around the city and blocked the main city artery.¹⁰ Nevertheless, the federal authorities would not back down and refused to reverse the decision on the new levies. Instead, they swiftly airlifted to Vladivostok a special riot-police unit from Moscow to quell the unrest.¹¹

This is a case in point of how regional and national economic interests may diverge. While many people in the Far East view imported Japanese cars as a profitable and vital business, Moscow considers the inflow of highly competitive autos as a serious threat to the domestic car-making industry, which provides jobs to millions in the European part of the country in industrial cities like Tolyatti, the location of Avtovaz, Russia's biggest national

⁹ In July 2009, the introduction of strict phytosanitary inspection on all imported vehicles served as another barrier to the car trade.

¹⁰ There are different estimates as to how many people took part in the protests. Official figures put the number at no more than 200, while some of the protesters alleged there were 10,000 of them. However, it was undoubtedly the biggest mass protest in the Russian Far East since the 1990s.

¹¹ Since then, no large-scale protests have been reported in Vladivostok. While there were mass opposition rallies in Moscow in the winter of 2011/12, very few people took to the streets in Vladivostok and other Far Eastern cities.

automaker. When the government had to choose between the economic interests of a remote region and the survival of densely populated industrial areas in the core of Russia, the choice had actually been predetermined.

As one further step to increase the state's involvement in managing the Far East's economy, plans have been unveiled in early 2012 to establish a giant State Company for the Development of the Far East and Eastern Siberia. The company, which is expected to be headquartered in Vladivostok, will report directly to the Russian president. It is to be granted a special legal status, as well as tax exemptions, and is expected to consolidate the most valuable government-owned assets in the Far East and Eastern Siberia.¹²

Finally, in May 2012, the newly elected President Putin created a special government ministry for the development of the Far East. The ministry will be headed by the former Khabarovsk governor Viktor Ishayev, who will simultaneously continue to serve as the presidential envoy for the Far East. Viktor Ishayev has long actively advocated the need for more government investment in the Far East to promote its industrialization and modernization.

However, the growth of state presence in the Far East will not be able to bring the desired results if it is not accompanied by serious efforts to make governance in the region more competent and less corrupt. Official corruption has been especially serious in Primorskiy krai, the most populous and developed territory of the Russian Far East. This has clearly been one of the major barriers to business investment in the region, both foreign and domestic. The governor of Primorskiy kray, Sergei Darkin, whose nearly eleven-year rule was widely associated with rampant graft, was finally fired by Moscow in March 2012.¹³ The new Kremlin-appointed Governor Vladimir Miklushevskiy, who had previously served as deputy

¹² Kirill Mel'nikov, Alexandr Gudkov, Alexandr Panchenko, "Vsy vlast' v Sibiri" (All the Power in Siberia), *Kommersant* (April 20, 2012), available at: <<http://kommersant.ru/doc/1919404>>.

¹³ In April 2012, the chairman of the regional legislature, one of Darkin's closest cronies, was detained on charges of fraud.

minister of education and then as rector of the Far Eastern Federal University, pledged that he would make “decriminalization” of the region one of his main priorities. This gives some new hope that the Russian Far East will become more attractive for private business and investors.

The Demographic Challenge

When discussing the issues of the Russian Far East’s interaction with the Asia-Pacific, the subject of demography often comes up. It is not uncommon to read or hear that the relatively small population of the Russian Far East (6.3 million) inevitably invites “demographic pressure” from the neighboring densely populated countries, such as China and Korea, posing an imminent geopolitical threat to Russia. Thus, it is argued, Russia should be very cautious in opening its Far East to contacts with its Asian neighbors to avoid “demographic invasion.”

Indeed, Russia is experiencing an unprecedented crisis of depopulation. Among Russia’s regions, its Far East has been most badly hit. Its population decline began in 1991, when the Far Eastern residents started to leave the area for the territories west of the Ural Mountains. In 1993, this migration outflow was exacerbated by fewer births and more deaths, as the entire Russia entered a period of population decline. As a result, the Russian Far East has now lost about a quarter of its population. Medvedev, visiting the region in July 2010, identified falling population as “the most alarming and dangerous trend.”¹⁴

Meanwhile, the government has quietly abandoned its previous plans to increase the Russian population in the Far East through attracting ethnic Russians from the former Soviet republics, apparently having recognized their unfeasibility. Since 2006, when the federal program for the resettlement of compatriots was adopted, just a few

¹⁴ *Transcript of the Meeting on Social and Economic Development of the Russian Far East and Cooperation with the Asia-Pacific Countries* (Khabarovsk, July 2, 2010), available at: <<http://kremlin.ru/transcripts/8234>>.

migrant families have arrived in the Far East. This should come as no surprise. The Russian migrants that do come to the country prefer to settle in the more developed areas than in the Far East. The latest “Strategy for Economic and Social Development of the Far East and Baikal Region,” which was signed by Putin in December 2009, says nothing about increasing the population with new settlers, focusing instead on encouraging existing Russian residents to stay in the region through “creating comfortable living conditions” and “achieving average Russian level of social and economic development.”¹⁵

How can the Russian Far East compensate for its dwindling working-age population? Some experts believe that only neighboring China can help it cope with a mounting demographic crisis. According to sociologist Zhanna Zayonchkovskaya, there is no alternative to Chinese immigration. She even predicts that, by the mid-21st century, the Chinese are likely to become Russia’s second-largest ethnic group after Russians themselves.¹⁶

However, many Russians view Chinese immigration as a national security threat rather than a blessing for the country’s economy. Talking of an imminent Chinese demographic expansion, they point to the stark imbalance in population densities between the depopulating Russian Far East and northeastern China, which has more than 100 million people. They argue that China will naturally be driven to fill this “demographic vacuum.”

Nevertheless, a number of prominent China experts in Russia think that Chinese demographic expansion is a myth. There are no signs that the Chinese seek to settle in the Russian Far East. Indeed, the number of Chinese citizens entering Russia has been decreasing since 2000.¹⁷ Russia’s Far East is not a particularly at-

¹⁵ *Strategy for Economic and Social Development of the Far East and Baikal Region for the Period until the Year 2025* (December 2009), available at: <<http://www.government.gov.ru>>.

¹⁶ Zhanna Zayonchkovskaya, “Immigratsiya: al’ternativy net” [Immigration: there is no alternative], in V. Mukomel’, E. Pain (eds.), “Nuzhny li immigranty rossiyskomu obshchestvu” [Does the Russian Society Need Immigrants?] (Moscow: Fond Liberla’naya Missiya, 2006), 30.

¹⁷ Victor Larin, “KNR glazami dal’nevostochnika” (The PRC as viewed by a Russian Far East resident), *Mezhdunarodnie protsessy (International Trends)*, (2010), 1:125, 128.

tractive place for Chinese immigrants. We should also remember that China itself will very soon face a shortage of a young workforce. China's population of fifteen- to twenty-four-year-olds has already peaked and will continue to shrink over the next decade.¹⁸ In addition, as China's economic boom is leading to wage increases, Chinese workers will have more reasons to stay at home rather than venturing into a cold and alien Russia.

China may neither be able nor willing to provide Russia's Far East with sufficient migration inflows. Indeed, there may come a time when Russia would actually want more Chinese migrants to alleviate the labor shortage in the Far East, but they will not be coming anymore. Which countries, then, could act as demographic donors for the Russian Far East? It seems that, over the short term, only the former Soviet Union republics of Central Asia – Uzbekistan, Kirgizstan, and Tajikistan – could play such a role. They still retain some historical, cultural, and language bonds with Russia. These poor countries, with extremely high unemployment, have an abundant supply of young people, who look to Russia as an attractive destination. Today, one can see many more Central Asians than Chinese on the Vladivostok streets. According to some estimates, their total number in Primorskiy krai has already exceeded the number of Chinese migrants. In recent years, the number of marriages between Russian females and male migrants from Central Asia has been steadily increasing in the Far East, whereas marriages between Russians and Chinese are virtually absent.¹⁹

Some Russian demographers believe that even Central Asia will not be able to satisfy Russia's, and its Far East's, needs in imported labor.²⁰ Russia has to think about diversification of its foreign migration sources. In particular, it might pay attention to big suppliers

¹⁸ E. Wong, "China's Export Economy Begins Turning Inward," *The New York Times*, June 24, 2010.

¹⁹ Personal interview with Sergei Pushkaryov, Chairman of the Advisory Council of the Federal Migration Authority (Primorskiy krai, Vladivostok, July 6, 2010).

²⁰ Interview with Alexander Vishnevskiy, Director of the Institute of Demography, Higher School of Economics (Moscow, January 15, 2010), available at: <http://slon.ru/articles/234753/?sphrase_id=76755>.

of human resources such as Bangladesh, India, the Philippines, and some other nations in Southeast and South Asia. For example, representatives from Bangladesh and India have already shown some interest in sending their labor migrants to the Russian Far East.²¹ From this perspective, the Russian Far East may need more integration with the Asia-Pacific, not just in terms of trade, but also for the sake of increased human inflows to boost its flagging demography.

Conclusion

The success of Russia's engagement with the Asia-Pacific hinges crucially on whether its Far East can be transformed from the country's backyard into its Pacific front gate. After years of virtual neglect in the 1990s and early 2000s, Moscow has been stepping up efforts to boost the development of the Far Eastern territories.

Apart from an evident need to raise the living standards of the region's population, Moscow pursues strategic and foreign policy goals:

- 1) strengthening sovereign control over Russia's Far Eastern areas;
- 2) sending a clear message to foreign actors that Russia is serious about its Asia-Pacific ambitions;
- 3) turning the Far Eastern territories, particularly its southern parts, into modern and efficient hubs to expand Russia's exchanges with the Asia-Pacific economies; and
- 4) improving the demographic situation in the Russian Far East.

The current increase of the state presence in the Russian Far East's economy and its external relations has a number of causes. First, Putin succeeded in consolidating the state-driven political system, enabling Moscow to reassert its leverage over Russian regions, some of which sometimes verged on separatism in the 1990s. Second, vast financial reserves accumulated by Russia during the era of booming economy and high oil prices made it possible to embark on major infrastructure, industrial, and image-boost-

²¹ Personal interview with S. Pushkaryov, *op. cit.*

ing projects in the Far East. Third, the strategic environment has changed. In the 1990s, China was still perceived by many Russians as a relatively underdeveloped country that could pose danger only in terms of poorly controlled migration inflows. In the 2000s, it has finally become clear that China is growing into a full-fledged great power, perhaps even a superpower, in the not-so-distant future and this may present a big challenge to Russia and its Far East.

Geopolitics has always been the central government's underlying concern when dealing with the Far East. Due to the region's remoteness from the country's core, sparse population, poor infrastructure, as well as the presence of big and ambitious powers in its neighborhood, Moscow always has to be very careful about how the Far East's external relations are conducted. A complete liberalization of foreign contacts may lead to the loss of effective sovereignty over the area, whereas the region's isolation would perpetuate its economic backwardness. That is why the Russian government has now made a choice in favor of controlled and selective international integration with neo-mercantilist overtones. This means Russia will open or restrict external links in specific sectors and industries in accordance with its national interests as defined by Moscow. It is believed that only the state's leading and proactive role, including massive government investments, can ensure the development of the Russian Far East and its inclusion in the Asia-Pacific economic system as an equal participant, rather than a mere supplier of raw materials.

The eventual success of this strategy by no means looks assured. It depends on two main conditions. First, Moscow must have sufficient financial resources to provide sustainable, long-term funding for the costly development programs in the Far East. Second, and perhaps even more important, competent policies and good governance are essential, lest the efforts and money be spent in vain.

Chapter Sixteen

Vyacheslav Gavrilov

The Responsibility to Protect and the Asia-Pacific

Executive Summary

- The Responsibility-to-Protect (RtoP) concept is a multidisciplinary “road map,” based on existing legal and political doctrines and rules, that establishes actions the states and the international community should undertake in cooperation with each other in order to protect populations from genocide, war crimes, ethnic cleansing, and crimes against humanity.
- The Asia-Pacific is one of the regions in which the majority of states have chosen to bypass the debate on the RtoP, claiming that any discussion of the concept could undermine the established notions of national sovereignty.
- However, further international debates about the RtoP implementation should include the Asia-Pacific countries due to their increasing influence on the evolution and regulation of international relations as well as their quest for a solid, regional system aimed at preventing and/or minimizing the consequences of international crimes.
- Quite a number of facts indicate that in the Asia-Pacific region, where the notions of development and security have always been closely intertwined, the awareness of the necessity to adapt the theoretical provisions of RtoP to the realities of the region is growing year by year. For instance, it is in this context that a special study group was established by the Council for Security Cooperation in the Asia Pacific (CSCAP) to examine the RtoP concept and explore its implications for regional actors and organizations.

Idea and Nature of Responsibility to Protect

In the contemporary world, despite the regulatory and organizational preventive measures taken by the international community, mass-atrocity incidents caused by acts of violence continue to be the reality of the world around us. In order to minimize such incidents and prevent them from occurring in the future, the international community took a number of serious steps, of both a theoretical and practical nature, at the turn of the twenty-first century. Development and normative formulation of the concept of the “Responsibility to Protect” (RtoP), which stipulates the responsibility of states to protect their populations from the most dangerous international crimes, is the most important result of the above-mentioned steps.

The Responsibility to Protect was unanimously adopted by world leaders at the 2005 World Summit. Governments recognized their primary responsibility to protect their own populations from genocide, war crimes, ethnic cleansing, and crimes against humanity, and promised to assist each other to fulfill this responsibility and to protect populations when governments manifestly failed to do so. Thus, the shift in emphasis from the international community’s “right to intervene” in realizing humanitarian interventions to the improvement of the concept of the “responsibility of states” to fulfill commitments inherent to state sovereignty became one of the basic ideas of the RtoP concept.

Conditions of the RtoP acceptance and its contents allow us to define it as a concept worked out and adopted at the universal level, within which the existing legal and political commitments of separate states and the international community in the humanitarian sphere are correlated with each other and are implemented sequentially to ensure effective protection of populations from the most grave international crimes. That is why RtoP cannot be named a new legal rule or doctrine. In my view, it can be considered a multidisciplinary “route map,” which, because it is based on existing legal and political doctrines and rules, and through

developing them, establishes a list of actions the states and the international community should undertake in cooperation with each other to protect populations from international crimes.

RtoP proceeds from the imperative and eternal duty of states to defend their populations and the responsibility of the international community to render effective and timely assistance in case of need, in any place in the world. The RtoP concept especially underlines the value of prevention and, when it fails, of early and flexible response adapted to the specific circumstances of each case.

Pillars of RtoP

As agreed by the UN member states in the 2005 World Summit Outcome,¹ the RtoP concept rests on three equally important and nonsequential pillars.

The first pillar involves the protection responsibilities of the state. These responsibilities, inherent to the states because of their sovereign natures, find their formal expression in the sources of international law and political documents, and are aimed at protecting the populations of these states against four types of especially dangerous crimes under international law. The second pillar provides for assistance from the international community to the states while they are performing their RtoP duties. The third pillar proceeds from the responsibility of the international community for a timely and decisive response in cases in which national authorities are manifestly failing to protect their populations.

Since the first pillar provides for certain responsibilities of the state, actions of its bodies for RtoP implementation will be treated as primary and basic under this pillar. Such actions should, first of all, target policy formulation and implementation in order to prevent the crimes mentioned, including their incitement. The state here is entitled to establish a range of measures and means that it will use to achieve this aim. These measures can be diverse, from

¹ See World Summit Outcome (2005), par. 138-140, available at: <<http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N05/487/60/PDF/N0548760.pdf?OpenElement>>.

carrying out special education programs for the population to a total reformation of the legal and political systems of the state.

The cooperation between the state authorities and international bodies in the process of RtoP implementation takes an immediate form under the second pillar. This is determined by the impossibility of international community rendering assistance to the state in its RtoP performance without mutual obligations and an active partnership between the states and international bodies.

Such assistance, however, cannot be provided without the request for its rendering or without the consent for its realization on the part of the state concerned. This fact, just as for pillar one, determines the significant and primary importance of the state bodies in launching the mechanism of the second pillar. At the same time, in contrast to the first pillar, it is the international and not the state bodies that determine the thrust of these mechanisms.

International assistance can be rendered at the state's request or be offered to the state by certain bodies or organizations that consider the state unable to carry out the necessary reforms and to cope with the serious situation by itself. As a rule, the question here is about states that are under stress before an outbreak of crisis or conflict. The offer of help and the determination of its type are especially delicate areas, because many national governments fear that any internalization of the problem could result in further external interference and possible intervention.

The first and second pillars fundamentally differ from the third, according to which the formal consent of the state to cooperate with international bodies is not needed, as a rule, and the activities of international institutions are directed, first of all, not at preventing crimes but at minimizing and overcoming the consequences of their commitment.

The duty of the international community to take all the necessary measures for the protection of populations forms the basis of the third pillar. These measures, according to the 2005 World Summit Outcome, can be carried out in two stages.

In the first stage, “the international community, through the United Nations, has the responsibility to use appropriate diplomatic, humanitarian, and other peaceful means, in accordance with Chapters VI and VIII of the UN Charter, to help to protect populations.” Such measures can include, in particular, peacekeeping capabilities of the United Nations along with the involvement of regional bodies. The second stage assumes the possibility of acceptance of a wider range of collective actions, either peaceful or non-peaceful, by the international community under Chapter VII, including sanctions and military operations.

The actions of the international community, according to the third pillar, should be taken in a timely and decisive manner, on the one hand, and in full conformity with the UN Charter, on the other hand.

Nevertheless, together with the question of what measures should be applied by the international community in each particular case, there is an equally significant problem of a clear definition of the time when the efforts of international bodies for rendering assistance to the state under the second pillar can be replaced by rendering assistance to the population itself under the third pillar. This question is also crucial for the whole RtoP concept, because it is exactly where the line beyond which the state turns from a “leading” to a “guided” subject, in the case of population protection, is determined. The RtoP concept refers to the situation when “national authorities are manifestly failing to protect their populations” as such a line. Despite some uncertainty of this criterion, in general, it appears to be effective, as the inability or unwillingness of the national authorities to perform their duties to protect can be recognized clearly in the majority of cases.

There are far more questions concerning the additional criterion, which allows the international bodies to proceed to the second stage and to perform non-peaceful acts under the third RtoP pillar. Paragraph 139 of the 2005 World Summit Outcome Document stipulates that the basis for it arises when peaceful means turn out to be inadequate. But such “inadequacy” is difficult to recognize in a specific situation, which is why it is necessary to elaborate supplementary conditions at international levels that would specify

the meaning of this term. This should be done to reduce, as much as possible, the risk of an incorrect qualification of the situation, which would come at a high cost not only for the state concerned, but for the international community, as well.

The above factors lead to the conclusion that the cooperation between national and international authorities takes place within each of the three RtoP pillars and is focused on the main task of this concept – the protection provision. Nevertheless, the modalities, means, and intensity of cooperation are different within the pillars and are determined by their internal specifics: in the first pillar, by the state's understanding and performance of its duty to protect; in the second pillar, by rendering assistance to the state from outside; in the third, by collective response in the case of a crisis.

The Asia-Pacific and Difficulties of RtoP Implementation

The Asia-Pacific is a region in which the majority of states have chosen to bypass the debate on the Responsibility to Protect, claiming that any discussion of the concept could undermine the established notions of national sovereignty. The events in Libya and Syria where, under the pretext of protecting a peaceful population from international crimes, acts of the forcible overthrow of the leaders were undertaken, contribute to the strengthening of such attitudes.

Nevertheless, one can agree with the statement that “no matter what one may think of the situation in Libya, it opens a complex debate about responses to imminent atrocities, divisions of labor in the context of such responses, and, perhaps most crucially, the way in which norms of intervention and responsibility will evolve.”²² This debate should not proceed without the Asia-Pacific countries, which, on the one hand, have ever-increasing influence on the processes of developing and regulating international relations, and, on the other hand, require the creation of a solid regional system of prevention and minimization of the consequences of international crimes.

²² Pierre P. Lizée, “Asia and the Responsibility to Protect: What Now?” *Pac Net* (September 27, 2011), 56, available at: <<http://csis.org/files/publication/pac1156.pdf>>.

Under the circumstances, the outright rejection of the RtoP on the grounds that it undermines the foundation of state sovereignty should be replaced by collective discussions and practical measures by Asia-Pacific countries, within which the conditions and order of interaction between states and international institutions in the process of RtoP implementation (especially of its third pillar) should be clarified. Moreover, the disputable elements of the concept should acquire concrete definitions suitable to all.

As a result, an RtoP approach to population protection that is primarily based on the state's own resources, rather than external intervention, would have a chance to be accepted, while its difficulties and shortcomings could be minimized. Such an attitude toward the problem seems to be much more appropriate than an outright unwillingness to deal with the existing approaches in this sphere, as it is obvious nowadays that many countries of the Asia-Pacific region are not always capable of ensuring the protection of their populations from international crimes without assistance from the international community.

RtoP and the Asia-Pacific: What's Next?

Quite a number of facts indicate that in the Asia-Pacific region, where the notions of development and security have always been closely intertwined, the awareness of the necessity to adapt the theoretical provisions of RtoP to the realities of the region is growing year by year. For instance, it is in this context that a special Study Group was established by the Council for Security Cooperation in the Asia Pacific (CSCAP) to examine the RtoP concept and explore its implications for regional actors and organizations. The Study Group was also tasked with providing policy recommendations regarding possible regional contributions to the global debate surrounding RtoP implementation.

After two years of strenuous work, a detailed Final Report³ was prepared by the working group. In this document, the importance

³ CSCAP Study Group on the Responsibility to Protect, Final Report, available at: <<http://www.cscap.org/uploads/docs/RtoP/CSCAP%20Study%20Group%20on%20RtoP%20-%20Final%20Report.pdf>>.

of the necessity to implement the RtoP concept in the Asia-Pacific region for the prevention of humanitarian disasters and/or the minimization of their consequences was emphasized, as well as twelve concrete recommendations, were outlined.

The proposals are divided into three blocks. The first one outlines recommendations for national governments. The second provides recommendations for regional entities, principally the ASEAN Regional Forum (ARF). The third contains recommendations for strengthening partnership between the region and other actors with respect to RtoP implementation.

The report of the RtoP Study Group referred to two main areas in which progress could be possible. The Joint Office of the Special Advisers to the UN Secretary-General on Genocide Prevention and the Responsibility to Protect is an underutilized mechanism. One of its main functions is to establish platforms for dialogue with regional actors in order to facilitate exchanges about the RtoP. National governments in Asia should avail themselves of this mechanism and develop networks, processes, and frameworks of reference that could be activated if the risk of mass atrocities becomes apparent in the respective region. A regular and sustained agenda of consultations between regional states and the Joint Office could be devised immediately to set this process in motion.⁴

Another important suggestion in the Study Group report was its recommendation that the ARF participants should consider establishing a Risk Reduction Center (RRC) within the ARF Unit. The center could conduct early warning procedures and assessment of the risk of genocide, war crimes, ethnic cleansing, and crimes against humanity in the Asia-Pacific, and cooperate with the UN in this area. The first stage of the center's work would involve risk analysis to identify countries at risk, and the second stage would constitute a more detailed analysis. From the Study Group's point of view, a draft framework of the RRC would need to be approved by the ARF participants before being put into operation, and would be reviewed by participants on an on-going basis. In order to prevent interference in the internal affairs of states, this framework would be limited to information that is publicly available.

⁴ Lizée, *op. cit.*

Some years ago, the idea of the creation of the RRC was considered within the ARF, but without much success. However, now, “many state and nonstate actors in Asia would support such a Centre because it could address the risk of mass violence before it erupts, and in a way that would not undercut established notions of national sovereignty – for instance, through the establishment of expert groups that would report to national governments in the region.”⁵ The validity of this statement is confirmed by several countries of the Asia-Pacific region, including China, already making public statements approving the idea of creating the RRC.

As for other activities, which could be carried out by the ARF in the sphere of RtoP implementation, the Final Report proposes establishing a standing regional capacity to support national capacity to prevent RtoP crimes and respond to them in a timely and decisive manner. Among its other suggestions is the strengthening of the capacity of regional institutions to employ diplomacy to mediate and resolve crises before they escalate. A number of concrete proposals were also reflected in the report concerning the establishment of collaboration between the Asia-Pacific countries and the UN to prevent RtoP crimes as well as strengthen region-to-region and intraregional dialogues to facilitate the identification of best practices and lessons learned relating to RtoP implementation.

To be sure, the above-mentioned initiatives should not be considered indisputable and final. It would take a good deal of time before the countries of the Asia-Pacific region would take concrete actions on their basis in order to create a regional system that would prevent mass atrocities and ensure fast response in case acts of violence take place. Such a system should combine the state’s primary responsibility to protect its population with the international community’s responsibility to assist the state in case of need, but without the violation of its sovereignty and interference in its internal affairs. The first step in this direction has already been made, and there are no doubts that other steps will follow in the future.

⁵ Lizée, *op. cit.*

Chapter Seventeen

Alexander L. Vuving

What Regional Order for the Asia-Pacific? China's Rise, Primacy Competition, and Inclusive Leadership

Executive Summary

- China's rapid and sustained economic growth is putting it on a path to rival U.S. power and completely change the strategic environment in Asia.
- Managing the Sino-US competition for strategic primacy and keeping it peaceful will be the central task of the regional order that will emerge in the coming decades.
- None of the models thus far proposed – a concert of powers, a regional community, a strengthened Western order, and a neo-tributary hierarchical system – is feasible to perform that task.
- A regional order based on the principle of shared and inclusive leadership, of which APEC is a prototype, is both workable and capable of managing China's rise and great-power rivalry peacefully.

Introduction

The foundations of regional order in the Asia-Pacific are undergoing tectonic shifts. In 2010, China overtook Japan as Asia's largest economy, becoming second worldwide only to the United States in terms of gross domestic product (GDP). Parallel with the rise of China, other regional countries such as India, South Korea, Indonesia, and Vietnam are also getting more active and influential in regional affairs. With a strategic landscape that features the rise of China and other Asian powers, the Asia-Pacific is in need of a new regional order that is able to accommodate the transformed regional configuration of power and interests.

What regional order will be most effective in maintaining peace and stability in the Asia-Pacific of the coming decades? Answering this question entails examining how economic growth in the region will shift the regional balance of power and identifying what structural changes the emerging regional configuration of power will require from the current forms of regional governance. This chapter argues that the economic growth of China will cause the most dramatic change in the balance of power in the Asia-Pacific during the next few decades, and the management of great-power competition over regional primacy will be the central test for the new regional order. The chapter further contends that the best way to manage these epochal transformations is to create institutional arrangements that are flexibly adjustable to changes in regional primacy and are based on the principle of inclusive regional leadership, of which APEC is a prototype.

The Rise of China

“The most important factor for the process of international political change,” said political scientist Robert Gilpin, “is the differential or uneven growth of power among states.”¹ The rapid economic growth of China has caused an intense debate over China’s rise and U.S. decline. Will China be a new superpower on par with the United States? Are we living in an era of power transition that will eventually lead to the passing of primacy from Washington to Beijing? The debate over China’s rise is polarized by two opposing views. One view anticipates that China will surpass the United States as the world’s largest economy and take over its position of international primacy. The opposing view believes that, given cracks and imbalances in its economy, China will soon experience “either a crash or, more probably, a Japanese-style multi-decade decline.”²

¹ Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), 93.

² Gordon Chang, “The Coming Collapse of China: 2012 Edition,” *Foreign Policy* (December 29, 2011).

A closer look at the sources and structure of Chinese growth reveals that both views may hit far from the mark. China's economy has grown nearly 10 percent a year throughout the past thirty-four years. Such a long period of very high growth in a large country is unprecedented in world history. The Chinese growth success seems to share with the rapid modernization of the Asian Tigers before it a similar set of "secrets" – integration into a liberal world economic order, the directional role of the state, and an emphasis on investment and technology. What sets China apart from the others is its record-high and record-long growth, which is owed to a "cult of investment" and a large set of imbalances, demographic, environmental, social, and political.³ Chinese leaders have long been aware of these imbalances and have tried to redress them. However, large sections of the ruling elites, particularly the local governments and the state-owned enterprises, have vested interests in the imbalances, while some of the imbalances themselves are crucial for the solution of China's more immediate needs. As a result, China is trapped in its imbalances despite the political will to redress them. As China continues its investment-driven and export-led path, it will hardly be able to avoid a long period of stagnation in the future. However, none of the possible triggers of recession is likely to immensely derail China's growth in the near future. The immediate cause of China's "lost decades" is likely to be a debt crisis precipitated by the loss of the demographic dividend in a rapidly aging population, which no longer is able to save massively to keep the banking system afloat. As this is likely to become acute in the 2030s, China will likely enter a period of stagnation in two (not one or one-half) decades from now.

Notwithstanding its likely stagnation from the 2030s onward, China will have both the will and the wherewithal to seri-

³ This section is drawn from Alexander L. Vuving, "The Future of China's Rise: How China's Economic Growth Will Shift the Sino-US Balance of Power," *Asian Politics and Policy* (July 2012), 4:3.

ously challenge US preeminence in Asia. Even if China grows 7 percent a year in the 2010s and then slows down to 4 percent a year in the 2020s, it will overtake the United States as the world's largest economy by the mid-2020s. However, economic primacy is both conceptually distinct and practically distant from strategic primacy, while GDP does not tell the whole story about power.

In the first half of the nineteenth century, Britain's GDP lagged far behind China's, but the former defeated the latter in two armed conflicts commonly known as the Opium Wars, which marked the beginning of China's "century of humiliation." The prime resource of hard power is not wealth alone, but a combination of wealth and productivity. Around 1870, when Britain was at the peak of its global primacy, it ranked third behind the United States and Russia in GDP and third behind Russia and France in military expenditures. To get a better sense of Britain's relative power, one would rather look at the more limited domains of manufacturing, trade, finance, and naval power, where Britain was first.⁴ An indicator that measures hard power better than GDP or military expenditures is "high-tech GDP," the value-added of the knowledge-intensive services and high-technology manufacturing industries. High-tech GDP provides a simple, approximate, and useful proxy for a country's hard power by expressing in an organic way the actual combination of that country's wealth, innovation, and productivity.

My study of the balance of hard power in Asia estimates that, at the beginning of the 2010s, the United States, Japan, and China are the strongest powers in the region, with the United States two times stronger than Japan and China combined, while China's high-tech GDP is slightly more than two-thirds that of Ja

⁴ Joseph S. Nye, *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990), 39.

pan. In the next decades, however, the balance of power in Asia will undergo fundamental changes, the central driver of which will be the rapid economic growth of two Asian giants, China and India. If China continues its current trend in innovation, it may never catch up with the United States in terms of high-tech GDP. However, if China is as successful as Taiwan and South Korea have been in boosting productivity, Beijing's hard power will surpass Washington's by the 2030s. By 2040, China's high-tech GDP may reach between 70 percent and 120 percent of America's, while each will likely be at least three times stronger than India in terms of hard power. Japan will rank fourth, with its high-tech GDP equal to about 14 percent that of the United States (see Figure 1 and Table 1).

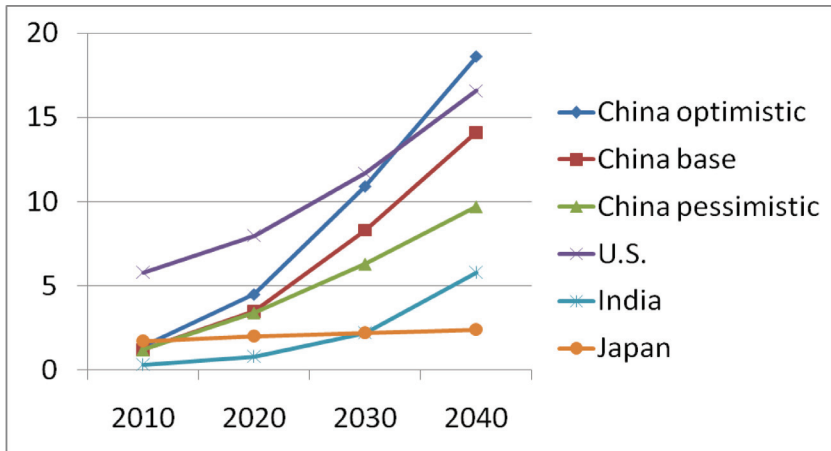


Figure 1. High-Tech GDP Projections,
2010–2040

Table 1

The balance of hard power in Asia, 2010–2040

	Percentage of the largest (%)				
	2010	2020	2030	2040	2040
China (optimistic)	24	56	93	n.a.	100
China (base)	21	44	71	85	n.a.
China (pessimistic)	21	43	54	58	n.a.
United States	100	100	100	100	89
India	5	10	19	35	31
Japan	29	25	19	14	13
Largest power	United States	United States	United States	United States	China

Source: Alexander L. Vuving, “The Future of China’s Rise: How China’s Economic Growth Will Shift the Sino-US. Balance of Power,” *Asian Politics and Policy* (July 2012), 4:3.

Managing the Competition over Primacy

The next decades will witness a contest for primacy between the United States and China. A regional order predicated on the premise of US primacy will be ill-equipped to manage this contest. What are the likely implications of China’s rise for regional order, peace, and war? This question has been debated for two decades. A large bloc in the debate, represented by realists, argues that Asia is destined for conflict. According to the realist logic, China will expand its interests in accordance with its growing capabilities and will ultimately aspire for regional hegemony. As Washington will not easily give up its position of primacy and India will also try to prevent China from becoming the regional master, Asia will be divided into opposing camps and conflict will be inevitable.⁵

⁵ Aaron Friedberg, “Ripe for Rivalry: Prospects for Peace in a Multipolar Asia,” *International Security* (Winter 1993/1994), 18:3, 5-33; John Mearsheimer, “The Rise of China Will Not Be Peaceful at All,” *The Australian* (November 18, 2005).

Scared by these gloomy prognoses, others have proposed alternative ways to manage peaceful change. Some liberals call for strengthening the web of liberal institutions that has underpinned the US-centered and Western-led international system since the end of World War II. They argue that, buttressed by economic interdependence, characterized by liberal rules, and led by a wide coalition of Western democracies, this international order is capable of assimilating China.⁶ Some other liberals and realists suggest the creation of a concert of major powers modeled on the Concert of Europe, which is thought to be responsible for the long peace in nineteenth-century Europe.⁷ Also inspired by what happened in Europe, this time the long period of peace and prosperity after World War II, constructivists advocate the building of a regional community in which member states are bound together by a collective regional identity and shared political values.⁸ Finally, drawing on East Asia's own history of a long peace from the fifteenth to the eighteenth century, an argument is made that, if the United States withdraws from Asia, the region will likely return to a stable hierarchical system similar to the tributary system, which is led by China and sustained by a shared geopolitical culture featuring restraint by the superior and submission by the lesser states.⁹

None of these options appears viable for managing the coming primacy competition in Asia. The Western-led liberal order is anchored in Western democracies that are also bound together in the U.S. alliance system. In Asia, these anchors – Australia, New Zealand, Japan, and,

⁶ G. John Ikenberry, "The Rise of China and the Future of the West," *Foreign Affairs* (January/February 2008), 87:1, 23-37.

⁷ Susan L. Shirk, "Asia-Pacific Security: Balance of Power or Concert of Powers?" Paper at the conference on "Prospects for Multilateral Cooperation in Northeast Asia: An International Dialogue," Tokyo, 18-20 May 1995.

⁸ Amitav Acharya, *Constructing a Security Community in Southeast Asia: Asean and the Problem of Regional Order*, 2nd ed. New York: Routledge, 2009; Rizal Sukma, "The Future of ASEAN: Towards a Security Community," paper at the conference on "ASEAN Cooperation: Challenges and Prospects in the Current International Situation," New York, 3 June 2003.

⁹ David C. Kang, *China Rising: Peace, Power, and Order in East Asia* (New York: Columbia University Press, 2007).

to some extent, South Korea – are located at the margins of the region and not with the region's rising powers. Unless ASEAN members are transformed into Western-style democracies and, together with India, become US allies, a China that is powerful and self-confident will successfully resist rather than be assimilated into the liberal world order led by the West. More important, as the US-centered, Western-led international order does not allow Chinese primacy, it is unacceptable to a China that is approaching parity with the United States.

A concert of major powers seems, at first glance, to provide an appropriate framework for managing primacy competition among great powers, but, in actuality, its costs outweigh its benefits. If a concert of powers excludes the United States, its internal balance of power will tilt irresistibly toward China. It is not in the interests of Japan, India, Russia, or any other major powers to join such a concert, as it is no different from using its resources to cement Chinese leadership. If a concert includes the United States, it must be larger than a G-2 coalition of Washington and Beijing. A Sino-US condominium will be faced with relentless resistance from all powers in the region, including America's and China's closest allies and friends. Both Washington and Beijing will have to reassure their allies, and the only way to do so will be to include the allies into the framework, which will, in effect, transform the Group of Two into a Group of Many. A recent attempt by US President Barack Obama to create a US-China co-leadership has failed due to both the quiet resistance of US allies and the more vocal resistance of China. The costs for China in such a G-2 are threefold. One part of the costs is material, as China must shoulder the burden of responsibility. Another part is symbolic, as Beijing does not accept the role of a junior partner to Washington. A third part of the costs is structural, as the mechanism of the US-China co-leadership is to cement US primacy and Chinese playing second fiddle to America. Although Washington may think it is fair game, as the United States is still superior to China in every aspect of power, Beijing, anticipating the advent of its era, does not think so.

The competition for primacy and leadership will be peacefully managed within the framework of a regional community. However,

given its historical experience, Asia is not ripe for a regional community. For a community of nations to work, individual national identity must be superseded by collective regional identity. Most of the modern Asian nations are born out of colonial legacies and find themselves in the midst of the process of nation-building. A coherent national identity is thus of paramount importance for nation-building in these newly built, oftentimes even arbitrarily made, states. Unlike Europe, where nationalism has been inflicted decisive damage by the horrifying events of two world wars, Asia, which has been trying to rectify its colonial past, sees nationalism much worthier than regionalism, whether subnational or supranational. A community of nations is further characterized by shared political values. With a China that remains authoritarian and a Japan that is liberal, an East Asian community by nature, but not by name, is impossible.

Although the tributary system that governed China's relations with its neighbors was relatively stable in the pre-modern past, a similar hierarchical order centered on China is unlikely to be stable in the modern era. First, the Chinese world order of the past is based on a form of geopolitical self-perception and self-expression that can be called "culturalism." State elites perceived their country as a domain of civility rather than a nation. This way of self-definition was completely replaced by nationalism during the past two centuries. Nationalism has become both a core element of the ongoing process of state formation in Asia and an entrenched feature in the foreign-policy culture of many Asian states, most notably China, India, Japan, the Koreas, Vietnam, and Indonesia. A tributary system of the twenty-first century will face fierce and undying challenges from nationalist forces in the lesser states. Second, the stability of the Chinese world order of the past was made possible partly by China's preoccupation with threats coming from the nomads of Inner Asia. Due to the concentration of resources and attention to the northwest front, China had little time to intervene in the southeastern frontiers and had to tolerate foreign dominance in the maritime domain. This condition is reversed in the twenty-first century, as China's largest external threats are perceived

to come from the east and the south.¹⁰ China has shifted its primary focus to these fronts and there are signs that Beijing does not shy away from adopting a confrontational posture toward India and the maritime neighbors in East and Southeast Asia. Third, the neo-tributary order centered on China is conditioned on US and Indian disengagement from East and Central Asia as well as Russian withdrawal from Central Asia. Although Chinese power is rising relative to those of the other major powers, Washington, New Delhi, and Moscow all are responding to the rise of Chinese power by increasing their interests and influence in the region.¹¹

Inclusive Leadership and Its Prototypes

The most viable option for peace and stability in Asia is a form of shared regional leadership that is inclusive not only of the major powers but also of other key players in the region. The shared and inclusive mode of regional leadership is the best form of international governance to peacefully manage primacy competition and power transition. For the sake of simplicity, let us call this option “inclusive leadership.” The strengths of inclusive leadership rest on two pillars. First, it has the support of the largest number of key actors. Second, it is flexible about primacy. The existence of a coalition of lesser states that can evenhandedly facilitate great-power rivalry makes it possible that inclusive leadership can accommodate different primacies and facilitate the peaceful transition of primacy. ASEAN, for example, constitutes a sizable coalition of small and middle powers that is able to play the role of a benign center of re-

¹⁰ Toshi Yoshihara, “China’s Vision of Its Seascape: The First Island Chain and Chinese Seapower,” *Asian Politics and Policy* (July 2012), 4:3.

¹¹ For American, Indian, and Russian responses to the rise of China, see Cheng-Chwee Kuik, Nor Azizan Idris, and Abd Rahim Md Nor, “The China Factor in U.S. ‘Re-engagement’ with Southeast Asia: Drivers and Limits of Converged Hedging”; Mohan Malik, “India Balances China”; and Rouben Azizian and Elnara Bainazarova, “Eurasian Response to China’s Rise: Russia and Kazakhstan in Search of Optimal China Policy,” in the special issue on “How China’s Rise Is Changing Asia’s Landscape and Seascape,” *Asian Politics and Policy* (July 2012), 4:3.

gional architecture building. Inclusive leadership is more viable than a strengthened Western liberal order, a concert of major powers, a regional community, and a Chinese-centered, neo-tributary hierarchy, because it is able to manage primacy competition peacefully and because it takes nationalism and national sovereignty seriously.

While not drawing from any established precedents of regional governance, inclusive leadership has found some prototypes in recent developments in the Asia-Pacific. The key multilateral dialogue forums present in the Asia-Pacific region are mechanisms of shared and inclusive regional leadership. Chief among them are the Asia-Pacific Economic Cooperation (APEC), the ASEAN Regional Forum (ARF), the extended East Asia Summit (EAS), and the newly established ASEAN Defence Ministers' Meeting Plus (ADMM+). These regional forums have demonstrated a remarkable capability to nimbly adapt to changing balances of power in the region.

Created in the late 1980s in anticipation of a new multipolar world that would replace the bipolar Cold War, APEC was deftly adaptive to U.S. unipolarity, which emerged in the 1990s and was dominant in the early 2000s, while maintaining its core principle of shared and inclusive leadership. This adaptive resilience is manifest in APEC's adoption of security issues and endorsement of the fight against terrorism in its agenda despite its initial definition as an economic forum that excludes security issues.

EAS is another example of how shared and inclusive regional leadership is adaptive to a changing balance of power. The original idea of EAS was to have a forum of "Asian" leaders, which meant to exclude the United States. It was originally thought to be an avenue toward regional community rather than a mechanism of inclusive leadership. At its inaugural meeting in 2005, Singapore's Senior Minister Goh Chok Tong argued that "East Asia cannot be extending to countries in the Pacific, for then even the political definitions would get stretched beyond belief." Notwithstanding the original vision, five years later, the ASEAN states decided to invite the United States and Russia to join EAS. From a stepping stone

for Chinese primacy, EAS has smoothly and, in a timely manner, morphed into a mechanism of inclusive regional leadership under US primacy. What is worth noting here is that the decision was made by a group of small states, ASEAN, which has gained significant credibility for being benign and evenhanded. As Goh Chok Tong stated at the Kuala Lumpur summit, “ASEAN does not threaten anybody and the big countries in the region will want ASEAN to play that facilitating role.”

Although currently reflecting US primacy, the shared and inclusive leadership mechanisms could one day easily endorse Chinese primacy. That is why China sees a strategic advantage in taking part in those forums. Unlike the G-2, they do not forestall Chinese primacy. There is a place under inclusive leadership for various leadership roles played by great powers and small states alike. For example, while emphasizing its own leadership in the region, the United States also endorses ASEAN’s central role in regional architecture building.

Conclusion

As China and several other Asian countries are growing in power and activism, Asia is heading toward a new regional order. The central task of the emerging regional order is to manage the Sino-US contest for primacy. The vital strategic choices that are likely to face the region are a “new Cold War” and “inclusive leadership.” Asia will be peaceful and stable only if key players in regional affairs make inclusive leadership effective. One thorny issue in Asian international relations is the territorial disputes between China and its neighbors in the East China Sea, the South China Sea, and along the Sino-Indian borders. If mechanisms of inclusive leadership fail to solve these problems, states will likely resort to balance-of-power politics, thus strengthening the trend toward a new Cold War. There is a considerable chance for peace and stability, but the choices will be painful.

Chapter Eighteen

Artyom Lukin

The Emerging Institutional Order in the Asia-Pacific: Opportunities for Russia and Russia-US Relations

Executive Summary

- Northeast Asia, which has always been the geopolitical core of the Asia-Pacific, as well as its main stage for interstate conflict, now seems to be evolving into an area where the foundations of Asia-Pacific's new institutional order are being laid.
- The economic integration linking China, Japan, and the Republic of Korea is deepening and expanding, which is likely to result in an economic community. At the same time, this economic process is paralleled by the development of political multilateralism originating from the Six-Party Talks, with the active involvement of the United States and Russia.
- A likely future scenario can be drawn up in which the Six Party-based "Northeast Asian concert" would act as the primary core for the Asia-Pacific security and political cooperation, supplemented by the ASEAN Regional Forum (ARF), ASEAN Defense Ministers Meeting plus Eight (ADMM+8), and the East Asia Summit (EAS). In a similar manner, the prospective China-Japan-Republic of Korea free-trade agreement (FTA) would function as a center for the region-wide economic integration, enveloped by a multitude of bilateral, minilateral, and multilateral arrangements in the Asia-Pacific.
- In this emerging institutional order, APEC could stay relevant as standing for a more open and globalized Asia-Pacific versus more closed and purely territorial versions of regionalism. APEC's other strength has to do with its achievements in specific areas of functional economic cooperation and business facilitation.

- Russia has stepped up its involvement in Asia-Pacific affairs and seeks to be a major player in the regional institution building. Moscow has secured full representation in the Asia-Pacific political institutions, but, in the economic dimension, its presence is still minimal.
- To successfully integrate into the Asia-Pacific, Russia needs support from the established regional powers. The United States could play such a helping role, as the Asia-Pacific seems to be a region where Moscow's and Washington's interests are least conflicting and most compatible. Being non-Asian powers culturally and historically, both Russia and the United States are naturally interested in preserving the trans-Pacific dimension of the Asia-Pacific institution building.

The Emerging Institutional Architecture in Northeast Asia and the Asia Pacific: A Game on Two Chessboards?

Northeast Asia has always been the geopolitical center of gravity of the greater Asia-Pacific region. Throughout most of its modern history, Northeast Asia has acted as a stage for intense interstate rivalry. Now it seems Northeast Asia is becoming the place where the foundations of Asia-Pacific's new institutional order are being laid.

It is generally recognized that international institutions promote peace and security by facilitating dialogue and cooperation, creating shared norms and rules, as well as fostering a collective identity. For a long time, Northeast Asia lagged behind many other regions in building multilateral institutions. However, some noticeable progress has been made in recent years. We can observe a trend toward a two-tiered structure of multilateralism in the region.

The first level is represented by the Six-Party Talks (SPT), initiated in 2003, on the North Korean nuclear issue, which involved China, North and South Korea, Russia, Japan, and the United States. The nuclear problem has not yet been resolved, but the Six-Party process, as many believe, might potentially lead to a Northeast Asian regional organization to manage political and strategic security. De-

spite periodic walkouts by North Korea, the Six-Party Talks have already become a de facto, permanent consultative mechanism, albeit with a mandate confined to issues related to the Korean Peninsula.

The second layer of Northeast Asian multilateralism is embodied in the trilateral cooperation of the “core” regional states: China, Japan, and the Republic of Korea (CJK). Their informal trilateral summits have been regularly held since 1999, but, until recently, they took place on the sidelines of ASEAN Plus Three (APT) meetings. December 2008 saw a watershed event, when the first Northeast Asian summit was held on its own, attended by Japan’s prime minister, China’s premier, and the Republic of Korea’s president. The CJK summits now seem firmly institutionalized and are held each year. A permanent secretariat was established in Seoul in 2011. The sides are negotiating a trilateral investment agreement and studying a trilateral free-trade agreement (FTA).

To be sure, institutionalization of this trilateral interaction is still in its nascent stages. It is too early to speak of a new economic bloc born in Northeast Asia. However, the trend is clear. Necessary economic prerequisites are in place. China, Japan, and South Korea have become mutually crucial trade partners. Their trilateral trade accounts for 17 percent of the global trade volume and 90 percent of the total East Asian trade¹. Another major driving force is big business, especially in Japan and South Korea, which has a stake in economic integration and pushes for further development of trilateral cooperation.

For a trilateral economic grouping to come into being, it is critical that China and Japan come to an agreement. The two biggest economies in Northeast Asia have to resolve their differences, particularly on the issue of regional leadership. There are essentially only two options. They could decide on joint management of the integration grouping in Northeast Asia, as well as East Asia at large. Or else Japan might accept China’s economic leadership. The

¹ “A milestone and new starting point for China, Japan, ROK,” *Xinhua* (October 11, 2009).

latter seems increasingly more likely, especially with China overtaking Japan as the second-biggest economy in the world in 2010.

Meanwhile, Washington is seeking to promote its own neoliberal version of regional integration, which, so far unsuccessfully, has attempted to challenge China-centered regionalism in East Asia. America's strategy is, in particular, based on the recently launched Trans-Pacific Partnership (TPP) as well as bilateral FTAs, the most substantial one to date being the Korea - U.S. FTA.

However, even if the United States were ultimately to lose the competition in *economic* regionalism to China, this would not automatically entail the advent of Sino-centric *political* institutions in the region. East Asian countries, including Japan and South Korea, are well aware of the risks inherent in their high economic dependence on China. Therefore, they are seeking to offset these risks by maintaining political and strategic ties to the actors capable of balancing a rising China, especially the United States. Neither Tokyo nor Seoul has any intention of abandoning its alliance with Washington. Indeed, both are strengthening their strategic cooperation with America in some areas, as well as enhancing political collaboration between them.²

Russia, despite its regional clout being much less than America's, can be seen as another independent player, performing a balancing function. In other words, the Six-Party process, and a prospective institutionalized mechanism with full American and Russian membership, might be viewed as a vehicle to maintain a rules-based balance of power in Northeast Asia.

In a nutshell, Northeast Asia is going to witness the evolution of a dual-institutional architecture in the foreseeable future. On the one hand, economic integration linking China, Japan, and the Republic of Korea will deepen and expand, which is likely to result in their economic community. On the other hand, this economic process will be paralleled by the development of political multilateralism originating

² Ryo Sahashi, *North Korea: Why Seoul-Tokyo Cooperation Is Necessary* (February 9, 2011), available at: <http://www.eastasiaforum.org/2011/02/09/north-korea-why-seoul-tokyo-cooperation-is-necessary/>.

from the Six-Party Talks, with the active involvement of the United States and Russia. Thus, “the balance of institutions” is likely to emerge, whereby China’s influence will be preeminent in regional economic cooperation, but significantly diluted within the political multilateral arrangement, a kind of Northeast Asian concert of powers.³

Northeast Asia’s evolving institutional architecture reproduces what has already been going on in the wider East Asia, where China-centered, exclusively Asian, and economically focused ASEAN Plus Three coexists with the ASEAN Regional Forum (ARF), ASEAN Defense Ministers’ Meetings Plus Eight (ADMM+8), and the East Asia Summit (EAS), which are characterized by more inclusive membership and a security-oriented agenda.

Northeast Asia not just replicates this; it may well be becoming the most crucial part of Asia-Pacific’s institutional order. Indeed, it is hard to imagine that Asia-Pacific/East Asian multilateral institution building will succeed unless Northeast Asian countries form a viable system of collective cooperation and dialogue. Thus, a likely future scenario can be drawn up in which the Six-Party Talks-based “Northeast Asian concert” would act as the primary core for the Asia-Pacific security and political cooperation, while, in a region-wide context, it is supplemented by ARF, ADMM+8 and EAS.⁴ In a similar manner, the prospective China-Japan-Republic of Korea FTA would function as a center for the region-wide economic integration, enveloped by a multitude of bilateral, minilateral, and multilateral arrangements in the Asia-Pacific (see Figure 1).

True, this emerging institutional structure may be seen as yet another arena for interstate rivalry, as evidenced by the competition be-

³ Concert can be defined as joint management of international affairs by great powers on the basis of certain common goals, values, and interests. The concert type of international order combines elements of power balancing and elements of collective security (Muthiah Alagappa, *The Study of International Order: An Analytical Framework*, in Muthiah Alagappa (ed.), *Asian Security Order: Instrumental and Normative Features* (Stanford: Stanford University Press, 2003), 33–69.

⁴ Until recently, EAS has been primarily concerned with economic, environmental, and social issues. However, following the addition of Russia and the United States, the forum is clearly beginning to pay more attention to strategic and security issues.

tween the Chinese and American visions of Asia-Pacific regionalism. The evolving balance of institutions in the form of a dual regional architecture is part of soft balancing in the Asia-Pacific, with the primary aim of hedging against strategic uncertainties associated with the rise of China. However, it is not only about constraining Beijing's potential assertiveness. The new institutional architecture will also result in limiting America's unilateralism and bilateralism. Furthermore, it will empower the second-rank players in Northeast Asia and the Asia-Pacific, such as Russia, Japan, South Korea, ASEAN, and India. Overall, this kind of institutional structure, based on economic interdependence and geopolitical considerations, will help build a more stable international order in Northeast Asia/Asia-Pacific.

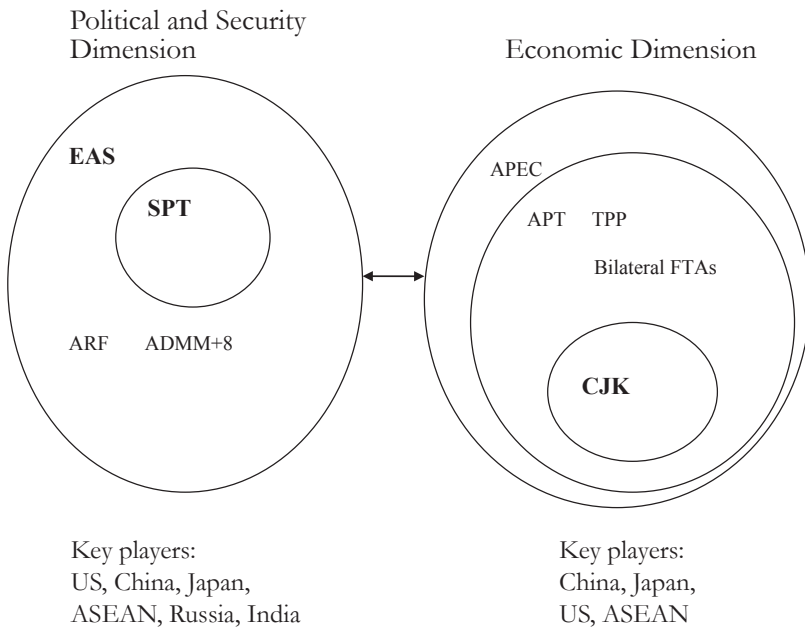


Figure 1. Emerging balance of institutions in the Asia-Pacific: political concert of Asian and non-Asian powers vis-à-vis China-dominated economic integration

Russia and Asia-Pacific Regionalism

Despite a Pacific coastline of 16,700 miles, Russia is a latecomer to Asia-Pacific regionalism. Due to the Cold War, the Soviet Union was shut out of regional cooperation, having instead to rely on bilateral ties with a few allies such as Vietnam and Mongolia. Following the end of the bipolar confrontation in the early 1990s, Russia strove to integrate itself into Asia-Pacific bodies. It quickly joined the region's premier nongovernmental forums, the Pacific Economic Cooperation Council and the Pacific Basin Economic Council, in 1992 and 1994, respectively. However, acquiring APEC membership proved much more difficult. For one thing, in the 1990s, Russia's share of Asia-Pacific total exports stood at a meager 0.4 percent. This did not quite square with one of APEC's membership requirements that an applicant country should have substantial economic ties to the Asia-Pacific. Another hurdle to Russia's membership was the apprehension among some smaller and middle-size APEC economies that the addition of another big country would weaken their positions and raise the risks of a great-power domination within the forum.

However, at the 1997 Vancouver summit, Russia's APEC application was finally approved, along with Peru's and Vietnam's. Moscow's bid was supported by the United States, China, and Japan, thus deciding the matter. In Russia itself, the admission to APEC was met with enthusiasm and as a confirmation of the country's status as an Asia-Pacific power. In 1996, Russia also became a dialogue partner of ASEAN and a member of the ASEAN Regional Forum.

Despite joining APEC and ARF, Russia, due to domestic turmoil, was not a major player in the Asia-Pacific during the 1990s. However, during Putin's and Medvedev's presidential tenures, Russia managed to substantially improve its internal situation, enabling Moscow to embark on more proactive foreign policies in the 2000s. The Asia-Pacific region became and remains one of the top priorities of Moscow's external strategy. On the political and diplomatic fronts, Russia resuscitated contacts with Pyongyang, while preserv-

ing good relations with Seoul. Most important, Moscow established a strategic partnership with China. In addition, the Russian government launched a massive program of state-funded investments in the social and economic development of its Far Eastern areas. The objective is not only to upgrade the economy and infrastructure, but also to reinforce Russia's geopolitical position in the Pacific.

One sign of Russia's return to the Asia-Pacific is its involvement in key security forums. In 2003, Russia became a co-sponsor of the Six-Party Talks. In 2005, it sought membership in the East Asia Summit at its inaugural meeting in Kuala Lumpur, which President Vladimir Putin attended as a special guest. At that time, the bid failed to gain consensus approval of the 10+6 forum. However, in 2010, Russia secured an invitation to join the EAS, along with the United States. In 2010, Russia also joined the ASEAN Defense Ministers Meeting process (ADMM+8). Thus, Russia now holds memberships in all Asia-Pacific multilateral security-political bodies: SPT, ARF, ADMM+8, and EAS.

Russia views its involvement in the Asia-Pacific security forums as a kind of guarantee that its voice will be heard and heeded. Russia's preferred model for the Asia-Pacific political order is a multipolar concert system, in which Moscow is a major player, along with Beijing, Washington, Tokyo, New Delhi, and, perhaps, Seoul and Jakarta. The Kremlin emphasizes the role of the Six-Party Talks as not only the diplomatic vehicle for North Korea denuclearization, but also as the mechanism for "the creation of reliable political and legal guarantees of security in Northeast Asia."⁵ At the same time, Russia wants to see the East Asia Summit as an umbrella political grouping in the Asia-Pacific, which could integrate regional security agenda in order to promote strategic dialogue.⁶

⁵ Russian Ministry of Foreign Affairs, "Remarks on the developments on the Korean Peninsula and the prospects for re-launching of the Six-Party Talks" (February 4, 2011) available at: <http://www.mid.ru/bdomp/ns-rasia.nsf/3a0108443c964002432569e7004199c0/432569d80021985fc325782d0057a361!OpenDocument>.

⁶ Sergey Lavrov, "Remarks of the Russian Foreign Minister at the Fifth East Summit Meeting" (Hanoi, Vietnam, October 30, 2010), available at: <http://www.mid.ru/bdomp/ns-rasia.nsf/3a0108443c964002432569e7004199c0/bfdcfb19ae127583c32577ce0039e051!OpenDocument>.

While Moscow has secured for itself a full representation in the Asia-Pacific political institutions, in the economic dimension, its presence can be characterized as very modest, at best. Russia accounts for roughly one percent of the region's trade. APEC remains the only regional economic grouping in which Russia participates. Even with APEC, Russia's involvement has mainly been limited to attending gatherings at a high political level, such as the Leaders' summits and ministerial meetings. Russia has kept a low profile or been altogether absent in most of the forum's practical activities and projects. For instance, it was the last member-economy to join the APEC Business Travel Card initiative in 2010 (as a transitional member). However, Russia has lately been stepping up its involvement in APEC. One reason is, of course, that Russia will be the hosting leader of APEC-2012 in Vladivostok. Other than that, it seems that Russia, as part of its broader shift in priorities toward the Asia-Pacific, is actually getting more interested in APEC. This might give hope that Russia's enhanced involvement in APEC will outlast the Vladivostok events and continue beyond 2012.

Russia remains one of the few economies in the Asia-Pacific that has no free-trade agreements in the region. Moscow clearly sees a risk of its increasing economic marginalization in the Asia-Pacific and seems determined to change this. In 2010, Russia launched formal FTA negotiations with New Zealand.⁷ FTAs with Vietnam and Singapore are also being studied.

Integration with the Asia-Pacific is among Russia's three most important regional integration projects. Moscow's paramount goal is to secure economic reintegration of the post-Soviet space, which should come in the form of the Russian-led Eurasian Union proposed by Vladimir Putin in October 2011.⁸ The number two priority is integration with the European Union, which accounts for the

⁷ Russia-New Zealand trade is minimal, a meager US\$ 230 million in 2010. However, it is hoped that an FTA with the advanced economy of New Zealand will be path-breaking and help Russia enter the FTA game in the Asia-Pacific.

⁸ The prospective Eurasian Union is expected to build on the Customs Union of Russia, Kazakhstan, and Belarus, which took effect in July 2011.

bulk of Russia's foreign trade. In fact, according to Vladimir Putin, the Eurasian Union should become part of "the Greater Europe." At the same time, Moscow has an ambitious goal of turning the Eurasian Union into a link between Europe and the Asia-Pacific.⁹

The success of Russia's efforts at regional integration significantly depends on whether it has the support of the established Asia-Pacific powers. China is now Russia's main partner in the region. In 2010, China overtook Germany to become Russia's biggest trading partner. However, it is doubtful that China will make it a priority to help Russia become a full-fledged member of the Asia-Pacific system of economic cooperation. China appears quite content to have Russia as a reliable supplier of raw materials and is interested in keeping this resource base to itself, rather than facilitating Russia's links to other Asia-Pacific markets.

Another major Asia-Pacific economy, Japan, although presumably interested in weaning Russia away from growing dependence on China, is unlikely to do much to assist Russia's regional aspirations. This is, of course, mainly because of the ill-fated dispute over South Kuriles/Northern Territories still poisoning relations between Moscow and Tokyo.¹⁰ While Russia's leadership seems open to exploring opportunities for expanded cooperation, the protracted political paralysis within Japan's political class makes it difficult for Tokyo to undertake bold overtures that are required to overcome an impasse in bilateral relations.

Russia-US Regional Partnership

This leaves another Asia-Pacific power, the United States. Can it possibly be a partner for Russia in seeking to expand its ties to the region? There is a good chance that it can. It is remarkable that, of all the areas where Moscow's and Washington's geopolitical con-

⁹ Vladimir Putin, *Noviy integratsionnyy proekt dlya Evrazii* [A New Integration Project for Eurasia] (October 4, 2011), available at: <http://premier.gov.ru/events/news/16622/>.

¹⁰ For instance, Japan has been blocking Russia's bid to join the Asian Development Bank ever since Moscow applied, in 1997.

cerns overlap, it is in the Asia-Pacific that their interests are least conflicting and most compatible. Whereas, in Eastern Europe, the Caucasus, and Central Asia, Russia and America are competitors rather than partners, they do not have irreconcilable disagreements in the Pacific. Although Moscow's influence in East Asia has somewhat grown in recent years, it is still too weak to be perceived by Washington as an actual, or even potential, challenge. Russia's central geopolitical interest in the region is to retain effective control over its Pacific territories, not to expand at the expense of others. This is well understood in Washington.

Both Russia and the United States face the risk of being marginalized if the East Asian integration evolves toward an exclusive Asian club. This shared concern might spur Moscow and Washington to enhance their cooperation. Being non-Asian powers culturally and historically, Russia and the United States are naturally interested in preserving the trans-Pacific dimension of the Asia-Pacific institution building.

APEC, as the leading trans-Pacific institution, could become a good venue for promoting Russia's and America's common interests in the Asia-Pacific. So far, Russia-US collaboration in APEC has been largely nonexistent. In fact, the two sides have missed the chance to take advantage of their successive APEC chairmanships, in 2011 and 2012, respectively, when they could have had more coordination and launched some joint initiatives. However, there are still plenty of opportunities for Russia-US cooperation, both within APEC and in other APEC-related, multilateral arrangements. As one option, Russia might consider joining the US-led Trans-Pacific Partnership initiative, especially as it is already negotiating an FTA with New Zealand and studying FTAs with Vietnam and Singapore (all the three economies are TPP participants). This would not be a small feat, particularly in light of Russia's recently concluded WTO-accession saga. It is clear that Russia will hardly be able to join the TPP soon, since Moscow's neomercantilist policies are not consistent with the TPP claiming to be "a high-standard

FTA.” However, as a long-term prospect, Russia’s membership in the TPP should not be ruled out, especially as the Russian economy will likely gradually move away from protectionism and evolve toward more openness. If Moscow, at some point, decided to ask for the TPP entry and Washington responded positively, it might usher in a new era for Russia’s relations with the Asia-Pacific, as well as with the United States.

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